

ASSESSING THE DISTRIBUTION AND UTILISATION OF EDUCATION FUNDS IN THE NORTHERN CAPE

by

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DECLARATION

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ABSTRACT

This study focused broadly on the School Funding Norms (SFN) and the effect of this policy on the resource allocation framework of schools. The Northern Cape Education Department (NCED) was used as a case study to explore the extent to which the SFN affects decisions taken by the provincial government in the allocation of funds to schools with ever-increasing learner numbers.

These funding allocations, being considered at a time of adverse economic conditions in the country, led to government introducing cost containment measures. This meant that the continuous demand for additional resources by the NCED would hardly be met. The research was mainly based on a non-empirical study of quantitative data obtained from the NCED to determine the financial management systems used by the department in order to allocate funds to the schools under its jurisdiction. This included all the legislative, regulatory and policy instruments at the department's disposal as well as all the reporting documents through which it accounts.

The study also looked at literature concerned with development theories, which included a socio-economic statistical overview, the role of education in development, as well as perspectives on public finance management. Exploring the socio-economic realities of the Northern Cape in relation to the country was especially important, given that the SFN policy is geared towards directing resources to poor and underprivileged schools.

The financial management practices of the NCED are also examined in chapters 4 and 5 of the study. One of the key elements is the issue of learner numbers in the province as a major cost driver of the department's budget. The budget allocation to education as one of government's key priorities was also an important factor. The amount of funding received by the NCED for the provision of education services in the province has been steadily rising over the years in accordance with increasing learner numbers. While learner numbers increased from 208 877 in 1998 to 285 494 in 2014, the education budget grew substantially from R965 million in

2000/01 to R4.44 billion for the 2013/14 financial year. The NCED received the highest allocation, followed by the Department of Health. Most of the education budget was spent on personnel costs, which amounted to over R3 billion in 2014/15. A major portion of the budget was also taken up by transfer payments to schools. While an amount of R160 million was earlier budgeted for transfer payments to schools, this budget item grew to over R400 million in 2013/14, mainly as a result of an increase in the number of no-fee schools.

The number of public schools that received funding from the NCED in 2014/15, for example, stood at 550 with over forty mainly no-fee schools receiving over a million rand each. Allocations were also made to special schools, independent schools and Grade-R institutions, including grants for the Nutrition Programme. Reports from the office of the Auditor-General, however, indicate that there was a lack of sufficient controls within the NCED as well as inadequate capacity to effectively monitor expenditure. It also found that schools did not always submit their audited financial statements as required. The study thus concludes that the NCED did not do enough to address inefficiencies in the system.

OPSOMMING

Die studie het breedvoerig ge-fokus op die Norme en Standaarde ten opsigte van Skole-bevondsing (kortweg hierna verwys as “Norme”) en die gevolg wat die beleid op die toekennings-raamwerk van hulpbronne aan skole gehad het. Die Noord-kaapse Onderwysdepartement (NKOD) het as ‘n gevalle-studie gedien om die omvang te ondersoek van die Norme se effek op besluite wat die provinsiale regering moes neem t.o.v. die toekenning van fondse aan skole met toenemende leerling getalle.

Hierdie toekenning van fondse, wat oorweeg moes word teen die agtergrond van negatiewe ekonomiese toestande in die land, het aanleiding gegee tot die regering se instelling van koste besparings matreëls. Dit het beteken dat die deurgaanse eise vanaf die NKOD vir bykomstige hulpbronne sou waarskynlik nie aan voldoen kon word nie. Die navorsing was hoofsaaklik gebaseer op ‘n nie-empiriese studie oor die kwantitatiewe data verkry vanaf die NKOD om die finansiële bestuur-stelsels wat deur die departement gebruik word om fondse aan skole in sy beheer te bepaal. Dit sluit in alle wetgewende, regulerende en beleids instrumente wat die departement gebruik tot sy beskikking sowel as verslaggewende dokumente waardeur die departement rekenskap gee.

Die studie het ook gekyk na die literatuur wat beskikbaar is oor ontwikkelings-teorië wat ‘n statistiese oorsig betreffende die sosio-ekonomiese toestande insluit, asook die rol wat onderwys binne die ontwikkelings-raamwerk speel. Dit sluit ook perspektiewe oor publieke finansiële bestuur in. Wat ook belangrik is, was die ondersoek na die sosio-ekonomiese realiteite van die Noord-kaap in verhouding met die res van die land, veral gesien vanuit die oogpunt van die Norme dat hulpbronne aan arme en behoeftige skole voorsien moet word.

Die finansiële bestuurspraktyke van die NKOD was ook ondersoek in hoofstuk 4 en 5 van die studie. Sommige van die hoof elemente wat na gekyk was sluit in die kwessie oor leerder getalle in die provinsie wat die hoof dryfveer van koste binne die departement se begroting is. Die begrotings-toekenning aan onderwys wat een

van die regering se hoof prioriteite is, was ook van kardinale belang. Die hoeveelheid bevondsing wat deur die NKOD ontvang was vir die voorsiening van onderwysdienste in die provinsie het 'n gestadige vermeerdering oor die jare gehad a.g.v. toenemende leerder getalle. Terwyl leerder getalle toeneem het vanaf 208 877 in 1998 tot 285 494 in 2014, het die begroting vir onderwys ook merkwaardig gegroei vanaf R965 miljoen in 2000/01 tot R4, 44 miljard in die 2014/15 finansiële jaar. Die NKOD het die grootste toekenning gekry, gevolg deur die Departement van Gesondheid. Die grootste gedeelte van die onderwys begroting was ook opgeneem deur oordrag betalings aan skole. Terwyl 'n bedrag van R160 miljoen begroot was vir oordrag betalings vroeër, het dié begrotings-item gegroei tot oor die R400 miljoen in 2013/14 hoofsaaklik a.g.v. 'n verhoging in die getal 'Geen Fooie' skole.

Die aantal openbare skole wat bevondsing vanaf die NKOD ontvang, byvoorbeeld, het gestaan op 550 waarvan oor die veertig hiervan, hoofsaaklik 'Geen Fooie' skole, oor 'n miljoen rand elk ontvang het. Toekennings was ook gemaak aan spesiale en onafhanklike skole, asook Graad-R instansies, insluitende toelae vir die voeding-skema. Verslae vanuit die Kantoor van die Ouditeur-Generaal, dui egter op 'n gebrek aan voldoende kontrole binne die NKOD, sowel as ongeskikte bekwaamheid vir die doeltreffende monitering van uitgawes. Dit het ook bevind dat skole nie altyd ge-ouditeerde finansiële verslae aan die departement ingedien het soos vereis word nie.

Dus het die studie tot die gevolgtrekking gekom dat die NKOD nie genoeg gedoen het om gebreke in die stelsel aan te spreek nie.

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LIST OF ACRONYMS

AG:	Auditor-General
AIDS:	Accrued Immune Deficiency Syndrome
APP:	Annual Performance Plan
BBSD:	Broad-Based Sustainable Development
CSG:	Child support grant
DET:	Department of Education and Training
DDG:	Deputy Director-General
DOE:	Department of Education
DORA:	Division of Revenue Act
ECD:	Early Childhood Development
EMIS:	Education Management Information System
FET:	Further Education and Training
GDP:	Gross domestic product
HIV:	Human Immunodeficiency Virus
HOA:	House of Assembly
HOR:	House of Representatives
HR:	Human Resource
IGR:	Intergovernmental Relations
LSM:	Learning support materials
LTSM:	Learning and Teaching Support Material

MEC:	Member of the Executive Council
MDGs:	Millennium Development Goals
MSTF:	Medium Term Strategic Framework
MTBPS:	Medium Term Budget Policy Statement
MTEF:	Medium Term Expenditure Framework
NC:	Northern Cape
NCED:	Northern Cape Education Department
NDP:	National Development Plan
NNSSF:	National Norms and Standards for School Funding
NSNP:	National School Nutrition Programme
OSD:	Occupation specific dispensation
PEDs:	Provincial Education Departments
PFMA:	Public Finance Management Act
PIGF:	Premier's Intergovernmental Forum
PPNE:	Personnel provisioning norms for educators
PSR:	Public service regulations
RSA:	Republic of South Africa
SADTU:	South African Democratic Teachers Union
SCM:	Supply Chain Management
SDGs:	Sustainable development goals
SFN:	School Funding Norms

SMMEs:	Small, micro and medium enterprises
Stats SA:	Statistics South Africa
USA:	United States of America
UN:	United Nations
WCED:	World Commission on Environment and Development
WSP:	Workplace Skills Plan
WSSD:	World Summit on Sustainable Development

CHAPTER ONE: AN OVERVIEW OF THE STUDY

1.1 BACKGROUND

Historically, education has been one of the most sensitive and topical areas in the South African context.

This historical picture is broadly painted by a number of authors with a keen interest in the South African educational system. Naicker (2005:232-238), for example, takes us back to the year 1948 which symbolises the “introduction of institutional apartheid into every facet of South African life”. Thus we saw an Apartheid South Africa which was based on ethnic and racial separation having nineteen separate education departments. South Africans are constantly reminded about the era of Bantu Education during Apartheid (see Appendix A) and how, at that time, African (or black) children received a far inferior form of education than their white counterparts. This was intended to prepare them for second-class citizenship in the country. Engelbrecht (2006:254) also affirms that the one distinguishing feature for South Africa which sets it apart world-wide, was the “extent to which racially entrenched attitudes and the institutionalization of discriminatory practices led to extreme disparities in the delivery of education, a reflection of the fragmentation and inequality that characterised society as a whole”.

Youth Day, which is celebrated in South Africa on the 16 June each year, commemorates the black child’s resistance to an education system that was unequal and racially prejudicial. Heugh (1999:301) reflects extensively on what she refers to as a comprehensive educational failure in the South African system which had worsened since the 1976 Soweto student revolt against the policy of “language-in-education”. This policy was intended to force black learners to learn through the medium of Afrikaans. The strong resistance to this policy compelled the government to back down and to introduce a new law in 1979 (Heugh 1999:303). The events of June 16, 1976, otherwise known as the Soweto student uprising, played a pivotal role in the political transformation of South Africa and the

attainment of a just and democratic system of government. Over the years it can be observed how education is always at the centre of the everyday lives of South African citizens.

In the Northern Cape, for example, people have had first-hand experience of how education can be used as a tool to fight political battles, plunging the education system into a crisis (see Appendix B). On two occasions, first in 2012 and again in 2014, it was widely reported that communities in the John Taolo Gaetsewe District, one of the historically underdeveloped areas of the province, had been preventing children from attending school. The 2012 incident was apparently aimed at removing the mayor of the local municipality as well as getting government to address service delivery issues in this area. A total of 41 schools in the area had to be closed due to high levels of intimidation and protests which were not related to education. We even had the Public Protector meeting with traditional leaders and the broader community to seek an undertaking that children would resume schooling (Mail & Guardian, 2012).

In 2014, the education of thousands of learners was thrown into turmoil yet again when communities from another local municipality in that district, Joe Morolong, disrupted schooling in the area, resulting in learners having to repeat their current year. The reason for this outrageous action was that members of the community wanted a stretch of road to be tarred. A matric learner from Dibotswa High School in that area expressed her outrage at the crisis situation in an interview with a local newspaper at the time: "Preventing us from going to school is tantamount to murder... what is the difference between you (protesters) and Boko Haram... you are both violating the rights of children, preventing them from getting an education and that is not acceptable". Dibotswa was one of eight high schools out of 55 schools that had been shut down by angry residents in the area who were demanding the construction of a road network that connects villages around Kuruman (Diamond Fields Advertiser, 2014).

Jansen (2012), in questioning why a community would close down its schools for months on end in its demand for a tarred road thereby sacrificing the one route out

of poverty for rural youth in a socially and economically oppressed area, comes to one conclusion: “that the value of education has lost all meaning for these rural communities”.

The above incidents clearly demonstrate that people have realised how education, due to its strategic importance, can be used to blackmail government. Whether or not this blackmailing works is a moot point, but what is important is that it reflects how people have begun to realize just what a priority education has become for government. This priority is also evident in the manner that education has been funded over the years. According to National Treasury, education constitutes the biggest single component of provincial spending as can be observed, for example, during the period 2010/11 to 2013/14 when it was averaging around 42 percent (National Treasury, 2014: 38).

Education stakeholders, including public service unions such as the South African Democratic Teachers Union (SADTU), keep clamouring for a bigger slice of the pie for their constituencies, whether in the form of higher salaries or other improvements in conditions of service. Most of this is done at the expense of learners, who should be the primary beneficiaries of education provision. After one of the many protracted strikes by public service unions in 2010, it was reported in the media how these unions had boasted about their “victory in moving the employer from an initial budgeted increase of 5,2% to the current 7,5%” (Fin24.com, 2010).

A constant increase in the education budget will always be an opportunity cost for other government priorities and will thus eventually become unsustainable. Government will have to ensure that spending on goods and services is efficient and economical, in spite of pressures exerted on it by whichever source (including those who perform acts of blackmail). Failure to do so could see the South African economy in tatters.

This study focuses mainly on the increasing budget that education receives from the Northern Cape provincial government and how the responsible department

manages these funds to ensure optimal usage. The way that funds are managed by government institutions, in this case the Northern Cape Education Department (NCED), is guided by key legislative prescripts that require public resources to be used effectively, efficiently and economically (South Africa, 1999).

1.2 MOTIVATION/RATIONALE

The funding of public schools is the direct responsibility of the provincial education department under which such schools are located. The South African Schools Act (No. 84 of 1996) makes provision for the establishment of public schools and the funding thereof by the responsible Member of the Executive Council (MEC) with funds “appropriated for this purpose by the provincial legislature” (South Africa, 1996).

The funding allocations to individual schools in the province are premised on a policy that determines the National Norms and Standards for School Funding (NNSF) or simply School Funding Norms (SFN). These provisions are contained in Chapter 4 of the South African Schools Act (No. 84 of 1996) and allow for funding allocations to schools based on learner enrolments. An important aspect to be considered is the poverty ranking of schools, which is calculated through a quintile list system ranging from the poorest to the least poor school in a particular province. According to this system, the neediest schools will receive a more favourable funding allocation than schools that are deemed less poor. The fact that the learner numbers of a particular school determines funding allocations suggests that schools could receive fluctuating amounts of money from government each year if the learner population increases or decreases.

Schools determine their annual budgets on learner numbers for a particular year and communicate this to the Provincial Education Department for financial planning purposes, both for the school and the department. The Northern Cape Education Department (NCED) receives the biggest budget allocation in the province each year but it never seems to be enough, if one considers the budget pressures that it

continuously presents to the Treasury. Likewise, schools also tend to regularly express dissatisfaction with their financial allocation from the department. It is therefore clear that resources are limited and that there are competing priorities for government.

1.3 PROBLEM STATEMENT

Education in South Africa has become an important priority for government. This can be seen in the extent to which government funds education, nationally as well as in the various provinces.

Education has been regarded as one of five key priorities identified by government over the last five years. In his State of the Nation address in February 2014, Jacob Zuma, the South African President described education as “a ladder out of poverty for millions of our people” (The Presidency, 2014). He went on to report how the number of children attending Grade R had increased from 300 000 in 2003 to more than 700 000 in 2011, and how government was planning to make Grade R compulsory. The speech also included government’s achievements with regard to the School Nutrition Programme, the No Fee Schools Policy, improvement in the matric pass rate, as well as investment in teacher training and school infrastructure, with a reported 370 new schools built to replace mud schools and other unsuitable structures around the country (The Presidency, 2014).

In his July 2014 post-election State of the Nation speech, this notion of education being “an apex priority for this government” was re-affirmed (The Presidency, 2014). In this speech, the president announced that government would continue to advance the principle of “universal access to education by ensuring that all children between ages 7 and 15 are in school” (The Presidency, 2014).

The Finance Minister also followed up these pronouncements on education as a priority area for government with statements on budget matters. Firstly, according to his February 2014 Budget Speech, 433 schools were to be rebuilt. Secondly, there

would be a renewed focus on accountability and quality in education. Thirdly, the minister reported on the strides made by government in improving access to education over the last five years. This includes the fact that learners receiving free education had risen from 5 million in 2007 to 8.8 million in 2014, and the increase of Grade R enrolment from 544 000 in 2009 to 779 000 in 2014. His speech also emphasised the fact that the School Nutrition Programme was now feeding 8.7 million children (Treasury, 2014). Fourthly, the speech mentioned how improvements in education are critical, as espoused in the National Development Plan (NDP), and concluded that the 2014 Budget would again give special priority to education (Treasury, 2014).

In the Finance Minister's 2014 Medium Term Budget Policy Statement (MTBPS), the importance of education was again clearly pronounced. The statement highlighted the need to improve the quality of the country's education system as one of the key aims of the Medium Term Strategic Framework (MTSF). It emphasised that the education system, together with improvements in health services would "remain the top priorities of government spending (Treasury, 2014:7). In this speech, the expansion of the country's skills base was stated as one of three targeted priority-spending areas, with R800 billion being proposed over the Medium Term Expenditure Framework (MTEF). However, most of this money would go towards post-school education as well as skills development and training, which, according to the Minister, "has received the fastest growing share of the budget over the past three years, and will continue to expand (Treasury, 2014:13). The Minister also highlighted that, as it had been in the past, the largest allocations would again be for education, health and social protection (Treasury, 2014).

It is also clear from statements by the Finance Minister that resources are becoming increasingly limited within the current economic climate. The Minister, in the same MTBPS, indicated that economic growth in the country is slow, with a revised estimate of 1.4 per cent. This is down from the three per cent, which was projected for 2017 (Treasury, 2014:3). Due to this sluggish growth, the tax revenue will be

below the budget projection, according to the Minister, resulting in rising government debt as a percentage of the country's gross domestic product (GDP).

Thus, the MTBPS signals what the Minister calls the navigation of "a definite change of course" (Treasury, 2014:4). The focus in the Minister's speech was now on issues pertaining to achieving value for money and the introduction of reforms aimed at encouraging lower consumption and higher savings. Government would continue with cost-containment measures with "greater emphasis on longer-term planning and efficient resource allocation" (Treasury, 2014:12). This change of course also emphasises issues of maximising efficiency and eliminating waste and corruption through stringent monitoring and reporting.

While government was previously easily able to give funding for priority sectors such as education, it now seems that the current economic situation has placed a damper on its ability to do so continuously. There is acknowledgement that the resources available to government have become limited and that spending will have to be curbed. In the past, the Education Department would have been almost guaranteed access to additional funding from the Treasury for its programmes on the basis that it is one of the national priorities. While a focus remains on education as a key priority area, the problem is that government's overall budget remains under pressure due to multiple and increasing demands.

The Finance Minister has made it clear that government departments will have to abide by measures to ensure more is done with less and that efficiencies are maximised. For an organisation such as the NCED this poses a serious challenge. There is constant demand from this department for additional funds to cover its budget pressures and if the Provincial Treasury does not meet this demand, it will have to find the means to address these funding needs from within its own baseline allocations. This means that it must look at innovative ways to overcome these challenges.

One of the main challenges for the NCED is the growing annual number of learners within the schooling system. This is a major cost driver as learner numbers

determine the post provisioning norms for educators (PPNE), which impacts the wage bill of the department. It also influences other costs, such as the provision of additional learning support materials (LSM) and the Food Nutrition Programme. The NCED highlights the increased number of learners who benefit from the No Fee Schools Policy as a key achievement, along with the School Nutrition Programme. These initiatives are specifically geared towards alleviating the economic burden on poverty-stricken learners.

The question is whether the criteria used to determine which learners are to benefit from such programmes are effectively implemented to overcome inefficiencies within the system. In other words, does the department apply a proper means test in order to ensure that only those learners that should benefit from poverty-alleviation policies of government actually do?

1.4 RESEARCH AIMS AND OBJECTIVES

The broad focus of this study is on analysing the NCED's management of its finances in relation to funding allocations that it makes to schools annually. Given that this department is the biggest consumer of the provincial budget, it is worth exploring whether funds appropriated to it are used effectively and efficiently in accordance with its own pronounced organisational value system as well as government financial prescripts.

The NCED's mission statement declares that it aims "to develop and deliver a quality, effective and efficient education system in the Northern Cape..." (NCED, 2013:5). This ideal of efficiency and effectiveness is also encapsulated in the department's value statement, which highlights other important values such as high standards of professional ethics, integrity, redress, equity and access, as well as the promotion of democratic processes, transparency and openness (NCED, 2013:5).

The intention is to look at the amount of money that the NCED receives from the fiscus annually, and how much of that is allocated to schools. This study aims to

understand the way the department manages its finances and whether it has sound systems of monitoring so that allocations to schools are used effectively and efficiently. There is also a need to explore the increasing demands from education for additional funding to carry out its mandate in relation to the limited resources in the province.

Therefore, the research question is: Are the funds allocated by the Northern Cape Provincial Government for Education distributed and utilised efficiently, equitably and effectively?

In answering this question, one also needs to understand how the education system works. For example, how much of the budget is spent on personnel and how much goes to transfer payments. The education sector is also regulated by national policy regimes that influence the distribution of finances within the department, such as the School Funding Norms (SFN) and the No Fee Schools Policy.

Other important issues to be considered in response to the research question relate to the department's programme structure as well as its organisational design and how this affects the budget allocation. The programme structure refers to the eight programmes with their sub-programmes by which the total budget for education is divided. The organisational design in this context alludes specifically to the organogram of the department and how this impacts on the budget.

The related objectives of the research are the following:

- To explain the concept of National Norms and Standards for School Funding;
- To explore the various theoretic perspectives and models related to public finances for educational purposes;
- To describe the legislative and regulatory domain within which the education system operates;
- To describe the budget processes of government and how the financial management systems work with specific reference to the NCED; and
- To analyse the financial situation of the NCED and the factors that impact on it.

This research therefore intends to explore the extent to which School Funding Norms influence the NCED's budget processes as well as to understand the department's ever-increasing budget that seems unsustainable in the long run and to propose possible solutions to this problem.

1.5 RESEARCH DESIGN AND METHODOLOGY

The research design proposed for this study is a mix between empirical and non-empirical. The former will focus on the attainment of new knowledge produced through qualitative research techniques, such as a case study. The latter refers mainly to the literature review to be conducted extensively for this research, which will produce quantitative data through secondary data analysis. A scrutiny of financial documents, such as presentations and reports, will be conducted in order to understand issues around the budget pressure that the NCED experiences.

The qualitative design feature of this study probably requires further explanation. The study is based on two important aspects: the role that changes in learner numbers have on SFN and what this means for the NCED in terms of its funding responsibilities to schools. A description of the problems around these aspects is necessary for this design type. Welman, Kruger and Mitchell (2012:188) argue that the qualitative approach to research is "fundamentally a descriptive form of research". They suggest that qualitative field studies are normally successfully applied in the description of organisations, amongst others. The NCED as a public sector organisation and its role with regard to public finance management could be aptly described in this case.

The research methodology also includes qualitative measures in the form of a case study. Welman, et al. (2012:193), view case studies as a way of directing the researcher towards understanding the "uniqueness and idiosyncrasy of a particular case". As part of the case study, the research will look at the NCED and the manner in which it manages its financial situation, especially given its constant demand for additional resources due to increasing learner numbers within the system. This

research will be further enhanced by scheduling face-to-face interviews with various role-players within the NCED as well as officials from the Provincial Treasury.

The aim of using both quantitative and qualitative research methodologies is to allow the processes to complement each other. There are loads of information contained in books, folders and files, both written and electronic, which serve as source documents for the NCED. Analysing this data to reach particular findings would be inconclusive if this is not supported by a more subjective approach. The qualitative aspect of the research is important to allow for explanations during the face-to-face interviewing process.

So, while studying all the documents of the NCED to form a picture of the state of affairs at this institution (in other words, the quantitative approach to the research), the exercise would be incomplete if the reasons for this state of affairs are not further explored through a qualitative research agenda. This mixing or blending of research methods is described by Jick (1979) as Triangulation, which becomes a “vehicle for cross validation when two or more distinct methods are found to be congruent and yield comparable data”.

1.6 OUTLINE OF THE MAIN CONSTRUCTS OF THE STUDY

The study depends to some extent on a clarification of its main constructs and variables. One of these is the underlying theme of development, which humans depend on for progress and advancement in society (United Nations, 2011). The other is public finance management, which, if applied inappropriately or negligently within the government sector, can have serious implications for the development of people in society.

The concept of development, particularly sustainable development, is explored broadly in the study, with a focus on the current dialogue that permeates almost all areas of civic discourse. There appears to be an element of ‘development’ in the

discussion papers and presentation topics of almost every conference or summit held by business and government leaders across the spectrum. One such conference that the study refers to is the United Nations Sustainable Development Summit at which over 150 heads of state recently adopted a new set of sustainable development goals (SDGs).

Development is an important discussion for this study, especially if one looks at the current socio-economic realities of South Africa with specific reference to the levels of inequality, unemployment and poverty. This fosters an understanding of how development impacts on the policy decisions of government. The role that education plays in development and how this role is clearly expressed in the government's new National Development Plan (NDP) is also highlighted. In advancing growth and development, government and the state's role in education delivery is also brought to the fore in this study.

The other variable, namely financial management of public finances is also discussed at length, focussing on a range of areas. These include a look at theories and perspectives on public finance, encapsulating the issues around income and expenditure as well as budgeting. The theory of efficiency is also examined as a way to address flaws as well as wastage within our system of government.

1.7 THE CHAPTER OUTLINE

The study is presented in a chapter format, containing chapters one to six:

Chapter one gives an overview of the study, with a look at the background and rationale as a starting point. It explains why the study is undertaken and what the problem is to be addressed. The research aims and objectives as well as the design and methodology are clearly described. There is also a clarification of the main constructs of the study.

Chapter two provides an extensive review of the literary material on various subjects, beginning with theories on development, with specific reference to the

role of education. Central to this is an analysis of the socio-economic situation that prevails in South Africa in general, and in the Northern Cape province in particular. This section also outlines various perspectives on public finance management as well as theories relating to the issue of efficiency.

Chapter three examines the existing legislation as well as other policy documents relating to government provision of education, as well as the funding thereof based on the system of School Funding Norms (SFN). The PFMA and the Treasury Regulations are also explored as key policy documents that direct fiscal control within government. Two other pieces of legislation, namely the Intergovernmental Relations (IGR) Act and the Division of Revenue Act (DORA) are also referred to for their relevance on matters of public finance and government systems.

Chapter four gives an extensive overview of the NCED's financial situation over a period of time, including its budget allocations in relation to other government departments in the Northern Cape. It explores expenditure trends and zooms in on the NCED's transfer payments to schools, including special and independent schools as well as Grade-R institutions. The School Nutrition grants to schools also receive a special mention.

Chapter five contains an analysis of the NCED's actual transfer payments to individual schools, including special and independent schools in terms of a published provincial government gazette, which is issued in terms of the DORA. Audit outcomes over a period of ten years are examined, between 2003 and 2013. The chapter ends off by focussing on personnel-related matters of the NCED as a major cost-driver for this department.

Chapter six presents the main findings of the study, preceded by a summary of the main issues from the previous five chapters. The focus is on three key issues, namely the problem of entitlements and free-riders, inefficiencies within the system, and addressing the bureaucracy.

1.8 CONCLUSION

The first chapter is important as it sets the tone of the entire thesis. It gives an idea of the pertinent issues to be discussed and how the research will be approached. If one begins with the background and rationale, it becomes clear that people ascribe a lot of importance to education matters in this country and in the Northern Cape in particular. With the focus on funding and the realisation that this is in short supply, the problem statement highlights the core issue: whether programmes of government, designed to benefit deserving learners, are effectively implemented to overcome inefficiencies in the system. This leads to the research question articulated within the aims and objectives of the study, namely: Are the funds allocated by the Northern Cape Provincial Government for Education distributed and utilised efficiently, equitably and effectively? The following sections explained how the research was to be conducted, and highlighted the main constructs and variables of the study. A blow-by-blow outline of the chapters was also provided.

This first chapter forms the base of the study on which the rest of the thesis is built in the sense that it provides a clear outline of how the study will unfold. In the next chapter, the key theories are explored in order to foster an understanding of how the issues raised in Chapter 1 can be approached.

CHAPTER TWO: LITERATURE REVIEW – DEVELOPMENT AND PUBLIC FINANCIAL MANAGEMENT THEORIES, PERSPECTIVES, FIGURES AND FACTS

2.1 INTRODUCTION

The management of public finance by institutions of government is underpinned by principles contained in available literature and has been widely written about in a range of publications over the years. As part of the literature review, this study will examine perspectives on *development* in brief, within the context of the socio-economic realities of South Africa, as well as the role of education in development. Other areas to be covered include perspectives on *public finance management*, as well as theories on *efficiency*.

2.2 THE DEVELOPMENT AGENDA

In literature there exists a broad range of theories and perspectives on development, which is inextricably linked to the history of mankind. However, for the purpose of this study, the discussion on development will be limited to two issues, namely the *developmental state* and *sustainable development*.

2.2.1 The Development Dialogue

According to Swilling and Annecke (2012:87), the idea of a ‘developmental state’ returned as a key discussion point in global circles in 2002, especially in South Africa where the governing party adopted it as part of official ideology. The term ‘developmental state’ is defined as “interventionist, productivist, ideologically opportunist, protectionist, obsessed with industrialisation, resource intensive and quite often authoritarian...” (Swilling, et al., 2012:84). The argument is that developmental states are able “to promote sustained growth and development via

aggressive industrialisation” (Swilling, et al., 2012:85). This attribute is made possible by certain unique abilities of development states. These abilities include the productive deployment of capital, the formulation and implementation of national plans, as well as the production of dynamic programmes geared towards issues of land reform and education, as well as the development of small, micro and medium enterprises (SMMEs), infrastructure and human settlements (Swilling, et al., 2012:85).

The focus of the twentieth-century developmental state, according to Swilling, et al. (2012) was to fast track the move from an agricultural to more industrialised economy geared towards manufacturing through a controlled process. Through this manufacturing-based economy, developmental states would produce projects that would create a good blend between modernist city-building initiatives and human values of nation-building and social cohesion. This would also ensure legitimacy in the developmental state’s agenda of, firstly, prioritising industrialisation over profits and, secondly, limiting “excessive inequality through targeted interventions and taxation” (Swilling, et al., 2012:88). Swilling, et al. (2012) concludes that these initiatives proved successful because one of the key interventions by the state was substantial investment made in education and human capital.

The concept ‘sustainable development’, on the other hand, became a key discussion point within the global development arena in 1987. According to Swilling, et al. (2012), this was during the time that the World Commission on Environment and Development (WCED) convened to define sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Swilling, et al., 2012:26). Since then, there have been numerous conferences at which the global community has discussed sustainable development matters (and written reports). One such conference, the World Summit on Sustainable Development (WSSD), was hosted by South Africa in 2002.

One of the more recent gatherings of global leaders for purposes of engaging on issues of sustainable development was at the United Nations (UN) in New York. At

this UN Sustainable Development Summit, held from 25-27 September 2015 and attended by over 150 heads of state and government, a new 2030 Agenda for Sustainable Development Goals (SDGs) was adopted (United Nations, 2015). At this summit, world leaders resolved to bring an end to poverty and hunger, to fight against inequality, and to build peaceful and inclusive societies, with one of the major aims of the SDGs being that “no-one should be left behind”. Bowen (2015) applauds the South African government for playing a key role in the SDG negotiations but also cautions that the country should not be left behind.

The UN Summit identified 17 SDGs and 169 targets that seek to build on the Millennium Development Goals (MDGs). The MDGs were agreed upon almost 15 years before and part of the purpose of the SDGs was to complete goals not achieved by the MDGs (United Nations, 2015). The first two goals are aimed at poverty eradication and the achievement of food security and another of the goals, more relevant to this study, is to “ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” (United Nations, 2015). In her analysis, Bowen (2015) clearly sees an alignment of these goals with the Common African Position taken in March 2015, as well as with the National Development Plan (NDP). She urges the South African civil society to play a major role in monitoring the achievement of these goals.

The issue of sustainable development is taken a step further to a level that Weaver, Rock and Kusterer (1997) refer to as ‘Broad-Based Sustainable Development’ (BBSD). They argue that most countries equate development in its narrow sense to economic growth, while a broader definition is actually needed whereby development can be seen as “equitable, participatory and environmentally sustainable ...” (Weaver, et al., 1997). Swilling, et al. (2012:46) concur with this position as they see the challenge of sustainable development being about the eradication of poverty, while at the same time ensuring the rebuilding of the “eco-systems and natural resources on which we depend for our collective survival”. They argue that poverty must be eradicated through a more equitable distribution

of our resources by a process of re-structuring the global economy (Swilling, et al., 2012:46).

The problem elicited by Weaver, et al. (1997) is that governments tend to pursue economic policies that are only beneficial to the elite at the expense of the broader masses. What they propose are policies that create inclusive opportunities and simultaneously protect our environment (Weaver, et al., 1997). Thus, Weaver, et al. (1997) believes that we cannot follow a growth path that is not equitable as it would result in misery for many people. Neither should we allow growth to destroy our environment, making it impossible for life on the planet to continue.

According to Weaver, et al., there are four components in the BBSD framework (1997). They are, firstly, a healthy, growing economy; secondly, equity in sharing the benefits of this growth; thirdly, a democratic society espousing good governance and respect for human rights; and the fourth component is sustainability, which strives for the preservation of our environment. Therefore, it is the view of Weaver, et al. (1997) that for a broad-based world to exist we need global peace with thriving economies of which the benefits are widely shared. If this happens, it would lead to a decline in income inequalities as well as incidences of poverty, while at the same time the human development index would improve (Weaver, et al., 1997).

The issue of access to education has become a basic human right for many countries and this, according to Weaver, et al. (1997), has resulted in the formulation of government policies that allow citizens to have access to education services irrespective of people's ability to pay for them. However, the provision of education, which is defined by Weaver, et al. (1997) as a quasi-public good (which means that its use has benefits extending beyond the user to the broader society), comes at a cost. Weaver, et al. (1997) recommend a simple decision rule for government spending on education, which they believe should be capped "at least up to a point where the marginal social benefits of paying for them are equal to the marginal social costs".

When applying this form of cost-benefit analysis, it implies that government should spend more in those areas of education with the largest social benefits or what they call, spillover effects (which are the wider benefits to society as a result of services rendered to individuals). This means that governments are advised to spend more, for example, on primary education than on university education, as the latter is much more expensive and beneficial mainly to the individual concerned. Based on this decision rule, it also becomes clear, according to Weaver, et al. (1997) that “those with the ability to do so should pay for some or all of the private benefits they receive from government financing of education”. However, they also suggest that in cases of large spillover effects, such as in the area of primary school education, people should not be denied access as a result of their inability to pay (Weaver, et al., 1997).

Weaver, et al. (1997) also considers the issue of the efficient and cost-effective use of resources in the rendering of government services. They caution that when government resources are not managed properly it could pose a risk, which could lead to prohibitive costs, limited access to government services, as well as an unwillingness of taxpayers to keep footing the bill.

In describing the educational challenge in Sub-Saharan Africa, Weaver, et al. (1997) acknowledge the disadvantages that countries in this region historically had to deal with as a result of colonialism, as well as the economic crisis they have experienced more recently. According to Weaver, et al. (1997), the economic stagnation of the region, where the per capita in 1990 equalled 1965 figures, negatively impacted on governments’ ability to maintain the funding of educational systems. On top of this, they also raise the issue of misallocation of resources whereby too much money is spent on teacher training and salaries and too little on educational material.

Apart from this, Weaver, et al. (1997) also finds that the budget allocated for university education is too much when considered against what primary education receives. In fact, they estimate that on average 20 per cent of the education budget in Sub-Saharan Africa is spent on higher education, with Malawi the highest at 37 per cent. This is clearly not in line with the decision rule that public funds should be

geared more towards those areas with the largest social benefits, which is primary education. The rule therefore recommends smaller subsidies for education at tertiary level, targeting those who are unable to pay, unlike the practice in Sub-Saharan Africa.

Another finding pointed out by Weaver, et al. (1997) in the African scenario is the major issue of inefficiencies in the education system. One of these inefficiencies is the problem of repetition of grades and the high dropout rates, which come at a huge cost. A few recommendations are proposed by the authors to direct African government policies on education towards a broad-based development path that they recognise has not yet been achieved. These are the restoration of economic growth, which would result in additional resources for education funding; the deceleration of population growth; and improved efficiency in the use of educational resources, including the introduction of a user-charge system for those who are able to pay for education services offered by government. This means that subsidies given for higher education studies would be on a needs basis. These proposed efficiency measures also support a move away from grants to loan agreements for current university students, ensuring the availability of a “revolving pool of subsidies for those in need” (Weaver, et al., 1997).

The recommendations put forward by Weaver, et al. (1997) also encourage the establishment of private institutions of learning as an alternative for the more wealthy citizens who are able to pay for their own education. Other steps to be followed include the allocation of more resources for teaching materials and less for salaries and teacher training, an emphasis on basic literacy and numeracy, improved school management, as well as the reduction of repetition and dropout rates (Weaver, et al., 1997).

A discussion on development would not be complete without mentioning the views of the French economist, Thomas Piketty, who visited South Africa to deliver the Nelson Mandela Annual Lecture at the University of Johannesburg on Saturday, 3 October 2015. His speech centred mainly on income inequality, which is not only very high in South Africa but has been steadily increasing, in his opinion, to levels

even higher than twenty years ago. He refers to key statistics which show that about 60-65 per cent of South Africa's wealth is possessed by about 10 per cent of the population (compared to 40-45 per cent in the United States). This extreme inequality, at levels like those observed in South Africa, is not good for growth and development and, in his view, could lead to violence, such as the Marikana Massacre in 2012 (Mandela Lecture, 2015).

His argument is that South Africans may need to re-strategise securing effective rights, such as working for decent wages, good quality education, access to property as well as real economic and political democracy whereby people can share in the country's economy and governance, both in the public and private sector sphere. He disagrees with the theory of Kuznets curve which, in his view, is a very optimistic model claiming that inequality reduces naturally where development is at an advanced stage. His findings are that the reduction of inequality as it occurred in North America, Europe or Asia, had very little to do with natural processes associated with market forces, but are rather due to very significant events in the twentieth century, such as World War I and II as well as the Great Depression. Moreover, he ascribes the successful reduction of inequality to the implementation of new, progressive policies, which were aimed at addressing this social injustice (Mandela Lecture, 2015).

Piketty also shares his views about public education in South Africa. He believes that the quality of education from primary to secondary level, which is provided to the most disadvantaged communities in the country, is not satisfactory. He agrees that addressing this problem should be a national priority for government, in spite of scepticism from many business leaders about government's capacity to deliver this. His view is that it has been historically proven that a well-functioning public education (and health) system is a prerequisite for sustainable and equitable growth and he proposes this path for South Africa (Mandela Lecture, 2015).

The study will now look further at the developmental path that South Africa has been following by exploring the socio-economic realities of the country in general

and the Northern Cape Province specifically, as well as government's response to issues of development, with a focus on education's role in development.

2.2.2 The Socio-Economic Landscape

Much of the focus of the NCED in terms of funding is towards poorer schools striving for equal access of learners to education in spite of socio-economic background. In this regard, the department prides itself on having reached a target of 180 000 learners benefitting from government's No Fee Schools Policy, believing that it has "brought relief to many unemployed and cash strapped families in the province" (NCED, 2013:8).

It is clear from the above statement that the issues of unemployment and poverty are key considerations in determining education policy by government. The assumption is that because of high unemployment and poverty levels in the province, more learners should have access to government's poverty alleviation programmes such as the No Fee Schools Policy and the School Nutrition Programme. Thus, it becomes important to reflect on statistical analysis with regard to unemployment and poverty levels in the country generally and in the province in particular.

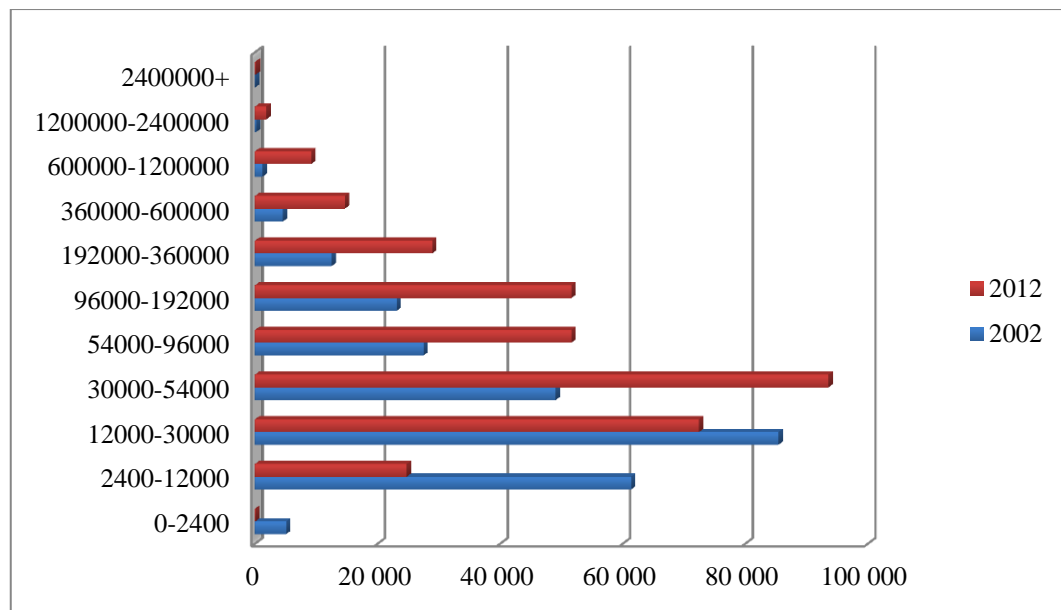
The unemployment rate in the country over the last decade has been hovering around the 25 per cent mark on average (see Table 2.1 below).

Table 2.1: Unemployment Rate for South Africa and the Northern Cape, 2002-2013

Source: Provincial Treasury (2014)

Nationally, the lowest unemployment rate between 2002 and 2013 was 22.3 per cent in 2007, with the Northern Cape reaching 22.7 in the same year. The province reached its lowest unemployment rate between this 2002-2013 period when it recorded a rate of only 19.7 in 2004. The unemployment rate has been steadily rising over this period with the Northern Cape reaching its highest point of 28.8 per cent in 2011. Nationally, the highest rate was registered at 27.1 per cent in 2002. Incidentally, the Northern Cape experienced lower rates than the national average between 2002 and 2006, but this picture started changing from 2007 when the unemployment rate began to dramatically increase and registered above the national figure (Provincial Treasury, 2014:11).

It is also worth analysing the annual income distribution of the province between 2002 and 2012 (see Table 2.2 below).

Table 2.2: Annual Income Distribution for the Northern Cape, 2002 and 2012

Source: Provincial Treasury (2014)

It is clear from the above graph that more people in the province received an income in 2012 than in 2002. In the income category of R30 000-R54 000, for example, it can be observed that, while in 2002 less than 50 000 people received an income in this category, this has almost doubled. There have also been significant increases in respect of income in all categories above R54 000, with figures doubling from those registered in the 2002 survey. The 2012 figures show that there are much fewer people in the province earning an income less than R12 000 per year. There are also significant numbers of income earners above R360 000 per annum, almost thrice the number in 2002 (Provincial Treasury, 2014:15).

Despite perceptions that poverty levels in South Africa remain high, there is evidence that the percentage of people living in poverty has decreased. In terms of the poverty indicators per province released by Statistics South Africa (Stats SA) for the period of 2003 and 2013 (see Table 2.3 below), all provinces, except the Western Cape and Gauteng experienced a decrease in the percentage of people living in poverty. The provinces that experienced the highest decline were the

Eastern Cape and the Free State with 1.5 and 1.93 per cent change of people in poverty respectively.

Table 2.3: Poverty Indicators by Province, 2003 and 2013

Provinces	2003				2013				% Change in People in Poverty
	Total Population	No. of People in Poverty	% of People in Poverty	Poverty Gap (R Million)	Total Population	No of People in Poverty	% of People in Poverty	Poverty Gap (R Million)	
Eastern Cape	6 487 798	3 990 083	61.5%	6 300	6 684 470	3 431 068	51.3%	9 969	-1.50
Free State	2 741 342	1 385 080	50.5%	2 170	2 792 020	1 140 285	40.8%	3 232	-1.93
Gauteng	9 794 450	3 095 261	31.6%	4 842	12 712 810	4 118 400	32.4%	12 862	-2.90
KwaZulu-Natal	9 698 963	5 375 850	55.4%	8 478	10 428 213	5 122 994	49.1%	15 004	-0.48
Limpopo	5 202 385	3 323 231	63.9%	5 266	5 490 266	2 863 072	52.1%	8 147	-1.48
Mpumalanga	3 642 908	1 995 689	54.8%	3 094	4 184 812	1 834 371	43.8%	5 360	-0.84
Northern Cape	1 026 950	474 015	46.2%	688	1 144 695	445 329	38.9%	1 216	-0.62
North West	3 129 348	1 601 993	51.2%	2 462	3 611 176	1 532 151	42.4%	4 521	-0.44
Western Cape	4 832 223	1 387 923	28.7%	1 843	5 922 163	1 812 798	30.6%	4 952	2.71
South Africa	46 556 367	22 629 124	48.6	35 143	52 970 625	22 300 468	42.1	65 264	-0.15

Source: Provincial Treasury (2015)

The Northern Cape, North West and KwaZulu-Natal, on the other hand, had the lowest percentage changes in people living in poverty at 0.62, 0.44 and 0.48 respectively. The increases experienced by Gauteng and the Western Cape with regard to the number of people in poverty resulted in a 2.9 and 2.71 per cent upward change respectively. Despite a decrease in the number of poor people in the Northern Cape from 474 015 in 2003, to 445 329 in 2013, the poverty gap increased from 688 to 1216. The poverty gap indicates “the number of people living below the poverty line and the resources needed to push them above the poverty line” (Provincial Treasury, 2015:16). The poverty gap has therefore increased from R688 million to R1.2 billion, which means that the Northern Cape needs just over a billion rand to push poorer households above the poverty line. Provinces with large population sizes, such as Gauteng and KwaZulu-Natal need R12 billion and R15 billion respectively to address the poverty gap. The Northern Cape, according to the 2013 figures, has the third lowest percentage of people living in poverty at 38.9 per

cent, after the Western Cape at 30.6 per cent and Gauteng at 32.4. The two provinces with the highest percentage of people living in poverty in 2013 were the Eastern Cape and Limpopo at 51.3 per cent and 52.1 per cent respectively (Provincial Treasury, 2015:16).

Other studies on the poverty profile of South Africa also present noteworthy findings in this regard. One such study conducted by Stats SA indicates that between September 2008 and August 2009, around 26.3 per cent of South Africans were living below the food poverty line of R305, while about 38.9 per cent were living below the lower-bound poverty line of R416. Approximately 52.3 per cent of the population were living below the upper-bound poverty line of R577 (see Table 2.4 below).

Table 2.4: Key Poverty Indicators Using Various National and International Poverty Lines

Poverty line	Poverty Headcount (P0)	Poverty gap (P1)	Severity of Poverty (P2)
Food poverty line (R305) per capita per month	26.3	8.5	3.8
Lower-bound poverty line (R416) per capita	38.9	15.0	7.5
Upper-bound poverty line (R577) per capita per month	52.3	23.6	13.3
\$1.25 (PPP) per capita per day	10.7	2.8	1.1
\$2.50 (PPP) per capita per day	36.4	13.5	6.7

Source: Stats SA, LCS (2008/2009)

The international poverty indicators show that in 2008/09, 10.7 per cent of South Africans lived below \$1.25 a day, while an estimated 36.4 per cent were living below

\$2.50 a day. The same Stats SA study of 2008/09 on the Living Conditions Survey (LCS) also compares the poverty indicators by province (see Table 2.5 below).

Table 2.5: Poverty Indicators by Province

Province	Food poverty line (R305)			Lower-bound poverty line (R416)			Upper-bound poverty line (R577)		
	P ₀	P ₁	P ₂	P ₀	P ₁	P ₂	P ₀	P ₁	P ₂
Limpopo	48.5	16.6	7.8	62.1	26.9	14.4	74.3	38.8	23.6
Eastern Cape	35.7	11.8	5.3	51.0	20.4	10.4	66.1	31.1	18.0
Mpumalanga	32.1	10.9	5.1	47.6	18.7	9.7	62.5	29.1	16.7
KwaZulu-Natal	33.0	10.7	4.8	46.1	18.5	9.5	60.2	28.2	16.3
Northern Cape	26.0	7.9	3.3	42.6	14.8	7.1	58.2	24.9	13.4
Free State	24.6	7.1	2.9	42.0	14.1	6.5	57.8	24.3	12.8
North West	26.3	8.8	4.1	42.0	15.6	7.9	56.9	25.1	14.0
Western Cape	9.0	2.2	1.0	17.8	5.5	2.4	30.6	10.8	5.2
Gauteng	10.1	2.6	1.0	18.1	5.7	2.5	29.0	10.7	5.3
RSA	26.3	8.5	3.8	38.9	15.0	7.5	52.3	23.6	13.3

Source: Stats SA, LCS (2008/2009)

The food poverty line indicator reveals that the Western Cape and Gauteng had the least poor people in 2008/09 at 9 per cent and 10.1 per cent respectively. Limpopo was by far the poorest province, with 48.5 per cent of people in this category. The Northern Cape had the fourth least poor people at 26 per cent. The picture does not change much if one looks at the other two indicators, namely lower-bound and upper-bound poverty lines. The Western Cape and Gauteng still remain in a much more favourable position than Limpopo, which registered poverty levels of 62.1 per cent and 74.3 per cent for those two categories respectively. The Northern Cape came in as the fifth least poor province when the lower-bound and upper-bound

poverty lines are considered, with 42.6 per cent and 58.2 per cent for those two categories respectively.

If one looks at percentage share of poverty by province, other interesting facts emerge (see Table 2.6 below).

Table 2.6: Percentage Share of Poverty by Province

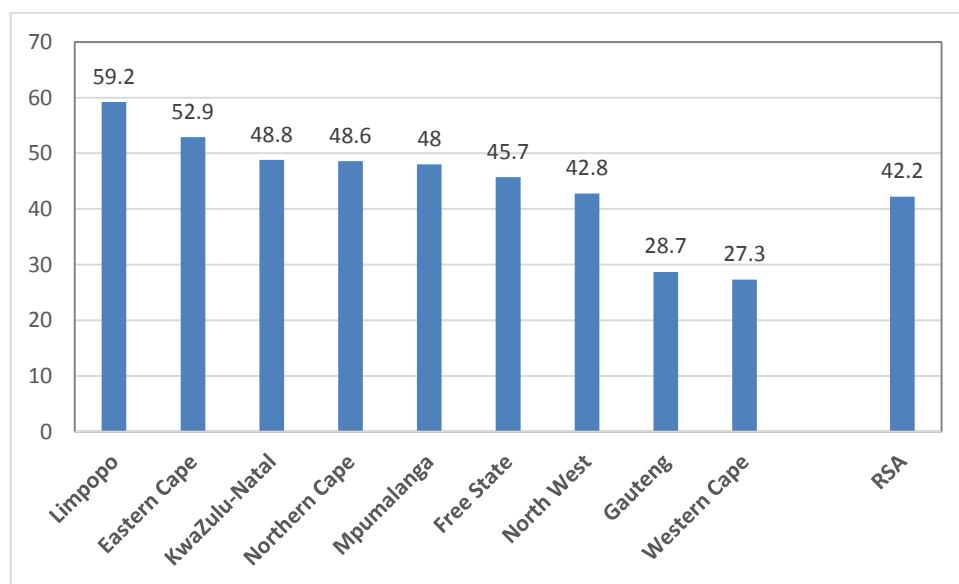
Province	Food poverty line (R305) (%)	Lower-bound poverty line (R4 160) (%)	Upper-bound poverty line (R577) (%)
Western Cape	3.7	5.0	6.4
Eastern Cape	18.2	17.6	17.0
Northern Cape	2.3	2.5	2.6
Free State	5.5	6.4	6.5
KwaZulu-Natal	26.0	24.6	23.8
North West	7.0	7.6	7.6
Gauteng	8.3	10.1	11.9
Mpumalanga	9.0	9.0	8.8
Limpopo	20.0	17.3	15.4
RSA	100.0	100.0	100.0

Source: Stats SA, LCS (2008/2009)

The 2008/09 LCS shows that, from the estimated number of people in the country considered to be living in poverty, KwaZulu-Natal, the Eastern Cape and Limpopo had the largest percentage shares compared to other provinces. Collectively, these three provinces were home to about 64.2 per cent of those under the food poverty line, 59.5 per cent under the lower-bound poverty line, and 56.2 under the upper-bound poverty line. The Northern Cape had the lowest share of poverty among the nine provinces at 2.3 per cent, 2.5 per cent and 2.6 per cent for all three indicator categories respectively. This is understandable given that the Northern Cape also has the lowest share of the population at around 2.3 per cent (Stats SA, 2008/09:12).

In order to provide relief for distressed poor families, South Africa also has a social grant system. During the period 2008 to 2009, approximately 42.2 per cent of households in the country had at least one member receiving a social grant (Stats SA, 2011:38). According to the LCS of 2008/09, the Western Cape and Gauteng had the lowest percentage of households, with at least one family member receiving a social grant at 27.3 per cent and 28.7 per cent respectively (see Table 2.7 below).

Table 2.7: Proportion of Households with at Least One Member Receiving a Social Grant by Province



Source: Stats SA, LCS (2008/2009)

Limpopo and the Eastern Cape proportionally had the highest percentages of households, with at least one member receiving a social grant at 59.2 per cent and 52.9 per cent respectively. The Northern Cape had the fourth highest percentage of households with one member receiving a social grant at 48.6 per cent. There has also been a dramatic increase in the total number of social grant recipients in the Northern Cape between 2008 and 2014 (see Table 2.8 below).

Table 2.8: Number of Grant Recipients in Northern Cape by Grant Type, 31 March 2008 and 31 August 2014

Type of Grant	Year		Difference/Change
	31 March 2008	31 August 2014	
Care dependency	3 552	4 707	1 155
Child support grant	180 982	283 448	102 466
Disability	48 305	49 329	1 024
Foster Care Grant	14 186	15 229	1 043
Old Age	56 874	77 875	21 001
War Veteran	75	10	-65
Total Number of Grant Recipients in NC	303 974	430 598	126 624

Source: Provincial Treasury (2015)

While there were 303 974 grant recipients in the province as of 31 March 2008, this figure grew by 126 624 to a total of 430 598 by August 2014 (Provincial Treasury, 2015:20). This increase was largely driven by the child support grant (CSG) with 102 466 recipients added to the total between 2008 and 2014. The old age grant recipients also increased by 21 001 over this period.

One other interesting fact emanating from the 2008/09 LCS is that the Northern Cape is one of the provinces with a very low average household expenditure on education (see Table 2.9 below).

Table 2.9: Average Household Consumption Expenditure by Main Group and Province

	Western Cape	Eastern Cape	Northern Cape	Free State	KwaZulu- Natal	North West	Gauteng	Mpumala nga	Limpopo	Total
Number of households in sample	2788	3048	1418	2368	3814	2187	4208	2356	2848	25 075
Main expenditure group	Rand per Household per year									
Food and non-alcoholic beverages	20 471	12 725	13 900	9 848	14 112	11 909	14 584	13 006	10 703	13 914
Alcoholic beverages and tobacco	1 850	456	755	617	339	456	929	505	204	699
Clothing and footwear	4 589	2 782	3 265	2 905	3 019	2 632	4 629	3 116	2 310	3 474
Housing, electricity, water and other utilities	32 731	10 534	13 351	11 400	13 796	11 736	28 159	10 340	7 480	17 922
Furniture, trimmings and other household equipment	5 160	3 209	3 734	3 205	2 565	3 424	5 293	3 145	3 263	3 860
Health	1 680	531	731	982	910	896	1 218	799	205	950
Transport	15 781	5 423	10 125	6 478	9 256	10 129	16 516	9067	6 983	10 978
Communication	3 931	1 631	1 744	1 628	1 598	1 956	3 757	1 982	1 251	2 428
Recreation and culture	5 542	1 714	2 144	1 982	2 037	2 072	5 129	1 577	1 396	3 069
Education	3 354	1 082	813	1 037	1 682	1 064	3 495	1 049	718	2 002
Hospitality and hotels	2 649	1 192	1 002	1 485	1 301	971	2 803	931	550	1 697
Miscellaneous goods and services	14 926	7 907	9 030	8 900	7 455	7 823	16 909	8 590	4 943	10 715
Other unclassified expenses	900	70	92	57	48	86	193	86	63	201
Total	113 662	49 345	60 695	50 523	58 122	55 175	103 615	54 093	40 081	71910

Source: Stats SA, LCS (2008/2009)

The average household consumption expenditure on education in the Northern Cape during 2008 and 2009 was only R813 per year, second only to the lowest spending province, Limpopo, at R718. This is far less than provinces such as Gauteng and the Western Cape, which had average household consumption expenditure of R3 495 and R3 354 respectively. It was also far less than the national average of R2 002.

Interestingly, the Northern Cape's average household consumption expenditure on alcoholic beverages and tobacco was R755. This was almost as much as the expenditure on education and also the third highest figure after the Western Cape and Gauteng, with spending on these items at R1 850 and R929 respectively. With the national average at R699, Limpopo registered the lowest average household consumption expenditure on alcoholic beverages and tobacco at R204 per annum (Stats SA, 2011:136).

2.2.3 The Role of Education in Development

Education is an important component of the development agenda and in South Africa there have been a range of interventions in education towards human capital development over the years. It is important to look at the current policy directives that government and the broader society have been engaging in during this time. In exploring the role of education in development, the following areas will be discussed: the National Development Plan (NDP); the role of government and the state; public goods and education as a public good; and School Funding Norms (SFN).

2.2.3.1 National Development Plan

The South African government has recently adopted the National Development Plan (NDP) 2030 as a policy document. While it covers a wide range of issues, it also impacts on education matters.

One of the goals of this plan is to improve the quality of education in underperforming schools (Republic of South Africa, 2011:28). The NDP is primarily aimed at eliminating income poverty and reducing inequality by the year 2030. One of the critical actions identified by this plan to achieve these goals is the establishment of “an education accountability chain, with lines of responsibility from state to classroom” (Republic of South Africa, 2011:34).

The NDP has a strong focus on improving the quality of education, which the National Planning Commission has identified as an area needing attention. In fact, in the commission’s diagnostic report, which highlights nine primary challenges, the quality of school education for black people is said to be poor and is listed among other issues such as high levels of corruption, unemployment, as well as an economy that is unsustainably resource intensive (Republic of South Africa, 2011:25).

The plan proposes improvements for school education, which by the year 2030 should reflect two important elements. One is that the early childhood development (ECD) should be of a high quality and be universally accessible. The other is that there should be a quality school education system that has globally competitive literacy and numeracy standards (Republic of South Africa, 2011:48).

In order to achieve these goals, the NDP sets out a range of education issues to be addressed. Firstly there is a proposal that all children should enjoy at least two years of pre-school education, thereby expanding access to ECD. Secondly, the idea is to reduce the bureaucratic layers in the education management system so as to avail more resources in support of schools and their teachers instead of spending it on a bloated bureaucracy. A third issue is that of school principals and their levels of competence and capacity. The idea is to identify schools that perform poorly and to allow for appropriate support where needed with merit obviously being an important selection criterion for the appointment of principals. Good leadership capacity would allow principals greater powers over the management of their schools and they would be held accountable for their performance. Fourthly is the issue of teacher performance. The ideas put forward in the NDP to enhance teacher performance include training, incentives, remuneration and pedagogical support. The plan focuses on professionalism and teachers' accountability for performance to ensure that learning and teaching practices are improved (Republic of South Africa, 2011:50).

It is important to emphasise that the NDP is about more than improving the quality of education. It is about transforming the economy of this country to ensure that jobs are created and that the lives of South Africans are improved. Yet it is also important to understand the role that an improved education system would play in the attainment of such long-term goals.

2.2.3.2 The role of government and the state

A discussion on development or public finances also requires a reflection on government and the state's role in these matters.

Hyman (2008:4) defines government as an organisation established to “exercise authority over the actions of people who live together in a society and to provide and finance essential services”. These essential services, such as roads, policing, defence and schooling, are provided to citizens by government resources obtained through taxes and other revenue. According to Hyman (2008:5), government goods and services are largely distributed to groups of individuals through what is known as non-market rationing. This is when the provision of services is not dependant on people's willingness to pay or rationed by prices. It also means that these can be available to all at no direct charge and with no eligibility requirements (Hyman, 2008:6).

While there are various forms and levels of government the world over, including federal, state and local, Herber (1983:335) argues that the efficient allocation of national public goods requires “substantial central government allocational influence”. This means that the allocation of resources in most cases would be centrally driven. It is, however, important to look at the structure of the state and government broadly in order to understand the role they would play in the management of public finance in general.

Within the public domain, the idea of a nation-state is a common worldwide phenomenon. This state, according to Pauw, et al. (2011:31), has a responsibility to ensure that services are delivered, which means that there are very intense public financial management activities taking place in order to achieve this. It also means that an enabling and regulatory environment must be created. The separation of powers within the state machinery is an important prerequisite for sound financial management and democratic governance. This, coupled with the existence of various layers of government, provides a basis for orderly intergovernmental relations (Pauw, et al., 2011:31).

According to Pauw, et al. (2011:32), the notion of separate powers, namely judicial, legislative and executive, as espoused by Montesquieu, is to mitigate the abuse of authority within the democratic state. Pauw, et al. (2011:33) believe that the strength of the executive authority lies in its ability to act promptly, since it has the bureaucracy at its command. This bureaucracy comes in the form of the various government departments and agencies that carry out government policies and programmes. The other two branches, namely the legislature and judiciary, have the responsibility of making laws and revising administrative actions respectively (Pauw, et al., 2011:33).

It is common for countries to have three or even four levels or tiers of government, namely national, provincial (also known as regional or state in some countries) and local governments. This three-tier structure is also typical of South Africa where the local governance is vested in municipalities. Pauw, et al. (2011:34) also explain that provinces have the responsibility of delivering school education, health services, as well as some welfare services, while municipalities take care of basic household services including the provision of electricity, water and sewerage, and refuse collection. According to Pauw, et al. (2011:34), provinces depend on transfers from national government and raise very little of their own revenue, in contrast to municipalities which can raise revenue of up to 85 per cent.

When it comes to the delivery of services function of governments, Ulbrich (2003:17) argues that there are various ways this could be structured. These range from mostly small countries, where central government acts as the primary supplier of all public services and local governments have limited powers. She mentions China as an example where local government merely raises the revenue and then sends it to central government, which only returns small amounts to them. Ulbrich (2003:17) refers to these intergovernmental arrangements as fiscal federalism, describing how revenues and responsibilities are divided among the different tiers of government in a given country. She concedes that it has always been a historical difficulty to find the right balance between central and local government when deciding who should collect which forms of revenue and who should carry out

which kinds of services. She also concludes that, in practice, sorting who does what “has rarely been done on the basis of economic efficiency” (Ulbrich, 2003:25).

It is almost impossible to have a discussion about government without referring to the bureaucracy. Hillman (2003:213) finds bureaucracy to be a vital component of government, without which decisions made by elected officials could not be implemented. The bureaucracy is made up of government officials (also known as bureaucrats or civil servants) which, according to Hillman (2003:213), refers to a career employment in government.

Hyman (2008:213) explains that the bureaucracy itself has an influence on actual service delivery as well as the efficiency with which goods and services are delivered or produced. More importantly, he finds that, as far as bureaucrats influencing the cost of production in public goods is concerned, they are also seen as having an influence on the terms of supply and thus ultimately on the resulting political equilibrium.

It is obvious that the behaviour of bureaucrats would differ from institution to institution. Most bureaucrats would probably subscribe to the Weberian doctrine, which Hillman (2003:215) describes as “a vision of bureaucrats who are dedicated to serving the public interest” in the way set out by Max Weber. These bureaucrats would be those who believe themselves to be honest, dedicated and responsible public servants who “derive personal utility from the social good that they do through their efforts in the government bureaucracy” (Hillman, 2003:215).

However, not all public servants fit Weber’s normative model of how the ideal bureaucrat should behave. There are those who act in their own self-interest rather than in that of the public. This self-interest could lead to bureaucrats maximising their budgets and span of control, which is not always to the benefit of taxpayers but rather to themselves since there is an increase in their income and prestige. Hillman (2003:216) calls this the principal-agent problem. This, in essence, refers to a condition whereby the general public as taxpayers (and therefore the ‘principal’)

have an 'agent' acting on its behalf to ensure that certain goods and services are delivered but find that the agent does not always behave in the public's interest.

This behaviour of bureaucrats is also attributed to public choice economists such as William Niskanen, who assume that "self-interested behaviour will take the form of seeking more power and influence, perks and compensation, and opportunities for advancement in the bureaucracy" (Ulbrich, 2003:95). In Hyman's (2008:213) description of the Niskanen phenomenon, the conclusion is drawn that the bureaucrats' attempts to maximise their budgets leads to an "over extension of the government sector in excess of the efficient level of output". This means that there are efficiency losses that occur in this process. Ulbrich (2003:330) explains that in the Niskanen model of the bureaucrat, the existence of a constant upward pressure on public expenditure is present and is driven by the bureaucrat's desire to increase his/her own well-being rather than to meet the voter's demand for improved public services.

According to Ulbrich (2003:330), one way of responding to this challenge is to force government agencies to compete with private suppliers for these public goods, with even schools being expected to demonstrate "the quality of services and level of costs in competition with private providers". Another way is to limit government's growth and in that way compel bureaucrats to compete with each other for the available resources instead of increasing budgets (Ulbrich, 2003:331).

In seeking to resolve the principal-agent problem between taxpayers and the bureaucracy, Hillman (2003:219) proposes that there is a need for public servants to experience a Thomas-à-Becket effect. This is when bureaucrats undergo a personal transformation from behaviour characterised by private self-interest to that which serves the interest of the public.

2.2.3.3 Public goods

It must be remembered that public finance is about money. This public money, according to Pauw, et al. (2011:15), belongs to the people through whose votes the government of the day is established. Thus, they argue that this money is to be used in a manner that will benefit the public. Pauw, et al. (2011:15) further suggest that the purpose of public money is “to obtain beneficial goods, services and investments for its owners, the People”. These public goods and services could be local, provincial, national or international and include items such as public education, roads, healthcare and defence, to name but a few.

The notion of public goods for consumption by members of society needs to be clearly explored. The term goods and services is commonly used to indicate items provided by government for public use, such as street lights, sanitation and roads, on the one hand, as well as items used by government in order to achieve certain goals, such as stationery, office space and vehicles, on the other. However, according to Ulbrich (2003:67), economists refer to public goods as items that specifically denote two key characteristics, namely “non-rivalry in consumption and nonexcludability”. She argues that both of these two elements should be significantly present in order for an item to qualify as a public good.

Ulbrich (2003:67) defines goods that feature non-rivalry as those consumed by any amount of people without decreasing the available amount that can be consumed by others. In other words, there is no competition in the consumption of such goods. She uses the example of a beautiful sunset to describe a pure public good, which is completely on the other end of a spectrum of a pair of shoes (a private good). Thus, in her view items such as national defence or a lighthouse can be viewed as public goods because their use as providers of protection to one does not indicate less protection for others. On the other hand, she describes services such as refuse collection and early childhood education as private goods, although they are publicly produced. This is because the more consumers make use of them, the

less the frequency of refuse removal in the case of garbage collection or the less attention there is for the individual child in the case of early childhood education.

Non-excludability, according to Ulbrich (2003:67), refers to an “inability to keep people, specifically non payers, from consuming the good or service”. The example of the sunset, lighthouse and national defence mentioned above would qualify in this category, since it becomes almost impossible to expect payment from people who benefit from them. She maintains that exclusion is not about whether it is possible or impossible but that it is rather based on the principle of “cost relative to benefits” (Ulbrich, 2003:68). In other words it would make sense to exclude non-paying members of the public if the cost to do so is low relative to the payment to be received.

Another important element in the discussion of public goods is what economists refer to as the ‘free-rider’ problem. Hyman (2008:166) describes a free-rider as “a person who seeks to enjoy the benefits of a public good without contributing anything to the cost of financing the amount made available”. This scenario is especially relevant in the case where people are expected to make voluntary contributions in order to benefit from the use of a public good. According to Hyman (2008:166), it is almost reasonable to expect a few individuals from a very large group to choose the free-rider strategy, but it clearly becomes unsustainable if too many individuals in the group become free-riders. Ulbrich (2003:69) concurs that normally, when there is a large number of users involved, free-riders are aware that “the availability of the public good is largely independent of their small contribution to its cost”. She explains that if one person reasons this way, he/she will benefit from the public good without paying, but should large numbers of people reason this way, it will become impossible to finance the public good. She concludes that this is the reason why goods and services that are very low in both rivalry and excludability would usually be “provided through the public sector and paid for with compulsory taxes” (Ulbrich, 2003:69).

In classifying goods and services in terms of rivalry and excludability, Ulbrich (2003:71) categorises defence as a public good that is weak in rivalry and low in

excludability, while education is low in excludability but high in rivalry. As said before, according to this classification, goods and services such as the sunset which are low in rivalry and also low in excludability are clearly public goods, while those that are high in rivalry and excludability, such as houses and cars are obviously private goods.

2.2.3.4 Education as a public good

Given the above classification, it is clear that education does not only fall within the category of public good. Hyman (2008:152) suggests that education is a service that has characteristics of both a public and private good.

The benefits that education has for societies at large are highly acknowledged. So, while even a minimal level provided to children in a society would be beneficial to them, Hyman (2008:152) argues that the exclusion principle could easily be applied to educational services to ensure that they are withheld from those who do not pay. Thus, it becomes a partial public good. According to Hyman (2008:152), it could be a private commodity made available through the marketplace or it could be supplied by the government at no cost, in equal amounts, to all children in a society.

He further suggests that in most nations, including the US, there is a mix of both private and public schools, which arose as a result of both market-related factors and political engagement as a means of providing education. However, evidence points to a higher proportion of government-supplied education in countries, with the US having almost 90 per cent of children attending public elementary and secondary schools. At institutions of higher learning, the picture is slightly different, with about 40% of students in the US attending private schools.

As far as costing educational services, Hyman (2008:152) maintains that there is no question that education is such an “important generator of positive externalities that it should be universally subsidized by government tax revenues”. He cites the example of the US, where the cost of education provision is financed through tax

revenue from all three spheres of government, namely federal, state and local, with more than 90 per cent sourced from state and local government taxes. According to him, higher education is also financed through federal subsidies to institutions of higher learning as well as tax credits (and subsidies) to individual students.

As far as compulsory education is concerned, Hyman (228:153) confirms that it is almost “universally compulsory up to a certain age”. This means that governments take responsibility for at least a minimal amount of this service for every citizen. The question of what the situation would be if education were to be provided mainly in a competitive market is also explored. Hyman (2008:153) suggests that there is a belief that some members of society would then “purchase less than the efficient amount of education for their children”. He believes that some children would be at risk of not developing adequate intellectual capacity, thus the principle of government providing free and compulsory public education. Hillman (2003:221) concurs with this notion by observing that the incentive behind free-riding was the reason why the responsibility to finance public goods was delegated to government.

While looking at the cost of public goods and the subsequent payment thereof by individuals, the issue of inability to pay also becomes an issue. Swilling and Annecke (2012:37-38) refer to the levels of poverty and inequality in the modern world. The reality is that in almost all societies there are poor people who do not have the means to pay for goods and services in the same way that more affluent citizens are able to. In most cases, governments respond to this predicament through a system of social welfare. Hillman (2003:325) introduces Rawls’ theory of the ‘weakest link’, which proposes a social welfare focusing on the improvement of the well-being of the poorest in society. The idea is to move up to the next level of poverty-stricken as the situation improves in order to strengthen the weakest link in the chain every time.

Hillman (2003:350) also looks broadly at the benefits provided by government through social insurance called entitlements, which could be in the form of cash payments or money transfers. He uses the example of healthcare, education, housing or food, which, if it is provided through social insurance, could have

characteristics of a public good. In fact, Hillman (2003:350) maintains that education and healthcare entitlements specifically can be regarded as “sources of beneficial (public-good) externalities, through a more educated and healthier population.” He further argues that, while these two services are viewed as public goods, they provide a private benefit at the same time. Thus, he sees the provision of these entitlements by government as “using public finance to provide private goods” (Hillman, 2003:351).

Hillman (2003:351) also looks at the issue of a ‘means test’, which is some form of restricted access to these entitlements based on income, wealth or age. He argues that governments would at times deliberately lower the quality of free or subsidised entitlements like healthcare or housing in order to make them unattractive to those who are able to afford alternative goods in the market through private spending. Another way to discourage them from these entitlements is the effort of engaging with government bureaucrats who treat people in a demeaning way. In his opinion, this kind of treatment could be a deliberate attempt to limit the number of people seeking entitlements so that only the ones in real need with no options would be targeted.

However, Hillman (2003:351) concedes that entitlements are not always geared towards needy people and could be universally instituted. He mentions healthcare and education, which are universal entitlements in many countries. According to him, government schools and healthcare centres would normally be associated with these low-quality universal entitlements, which can lead to people opting to pay privately for market alternatives. What this means is that such people would forego the universal entitlements but still pay for this in the form of taxes, while having to carry the additional burden of paying for private services in the alternative markets.

One other point about entitlements is that these can impact on people’s locational choices. According to Hillman (2003:366), this happens especially when people seek a suitable entitlement offering improved benefits but that at the same time carry less tax costs. Such people then opt to relocate to a government jurisdiction where

they receive an entitlement which coincides with the household's own spending preferences.

2.2.3.5 School Funding Norms

In South Africa, the National Norms and Standards for School Funding was implemented in 1999 as a way to ensure equity and redress (Motala & Pampallis, 2001:94).

But how are 'norms' defined? Smelser (1970:27) sees norms as more specific than general values since they specify "certain regulatory principles which are necessary if these values are to be realized". Certainly within the broader value of funding education one would seek to establish a very specific regulatory framework in pursuit of an identified goal.

In the United States, for example, the application of norms to allocate funding for education is derived from a formula that incorporates factors such as the number of students, the estimated cost of educating a student, the tax base of the local district, and the legislative process of revenue division between state and local government. Ulbrich (2003:351) cites the example of South Carolina, where the formula is based on a "minimum standard of support per student, the basic student cost (BSC) multiplied by the adjusted number of students (ST)". She explains that the term "adjusted" refers to other factors to be considered, such as the difference in cost of educating a high school student, or a special education student, as opposed to an elementary school student. The formula also makes use of "a set of state-determined weights that reflect differences in the cost of educating each group" (Ulbrich, 2003:351). The lowest weight would generally be for an elementary school student, while special education students have the highest weight.

The United States school system has a strong decentralised focus, with local government taking the bulk of the responsibility. Hyman (2008:716) argues that,

while there are obvious advantages, this system also creates some unfortunate side effects. One of the advantages is that decentralisation allows a community to design its own mix of schooling and other services applicable to what its citizens demand. The disadvantage is that poor people, being least mobile, are stuck in areas with limited resources to finance schooling and where the quality of educators is normally below standard.

This potential lack of mobility by the poor should be understood within the context of what Herber (1983:70) refers to as the “Spatial Mobility Approach to decision-making efficiency”. This is also known as the Tiebout Model, which in essence suggests that individuals will voluntarily select a particular political jurisdiction in which to reside. However, the key is to retain the flexibility of free movement among jurisdictions in order to be afforded an opportunity of “selecting the particular budgeting mix of expenditures and taxation which best meets their fiscal preferences” (Herber, 1983:70). It comes down to an approach of “voting-by-your-feet”, which Herber (1983:70) emphasises is not always a realistic option for many individuals due to their social conditions. Thus, Hyman’s (2008:716) view is that, in keeping with the Tiebout model, people’s decisions about their preferred location of residence are subject to their consideration about the quality of schooling services.

According to Hyman (2008:716), the disparity in expenditure per pupil that exists in United States schools arises as a result of differences in taxable property values among jurisdictions. In order to compensate for the subsequent disparity in the quality of education among taxing jurisdictions, he finds that most states implement a formula that determines state funding to local jurisdictions “that are inversely related to property values and incomes in each jurisdiction” (Hyman, 2008:716).

Hyman (2008:716) explains that the amount spent by state governments in the US for funding per student varies from state to state. According to him, there are states, such as Hawaii, which fully fund schooling through equal expenditure per pupil, while there are those that feel this equal allocation is not enough to guarantee equal opportunity. The argument is that students from poor families face

barriers to learning, such as crime and poor housing conditions, which require that expenditure per pupil should be higher than the average in these impoverished school districts.

In South Africa, there were two important policy documents introduced which determined educational norms in order to address past racial practices. The one dealt with post provisioning norms for educators (PPNE) and the other established the National Norms and Standards for School Funding (NSSF). According to Motala and Pampallis (2001:90), these policies were among those that tried to “redress the failures of the past in order to attain a more equitable environment” as well as “promote quality education and enhance school management and governance”. Both these policies would obviously have an impact on the budgets of provincial governments.

The purpose of the PPNE was to facilitate the determination of educator posts for each province based on a learner weighting with the idea of distributing the total pool of available posts to various schools in a province “in accordance with the relative needs and priorities” (Motala & Pampallis, 2001:91). The national NSSF, which came into effect in 1999, aimed to set out the minimum standards in relation to the funding of public schools. Motala and Pampallis (2001:95) highlight the fact that the norms and standards policy “imposes a responsibility on all public school governing bodies to improve the quality of education by raising additional resources to supplement state funds”.

They conclude that the NSSF is a good policy but emphasise that as long as fiscal discipline remains a government priority (as was the case with its GEAR policy at the time), the education budget would be revised downwards (Motala & Pampallis, 2001:99). With regard to the PPNE, they argue that this model, which allows governing bodies to employ additional educators from their own revenue raised through charging school fees, would merely serve to exacerbate inequalities between schools. The fact is that schools serving richer communities would be able to recruit more and better qualified educators, thus reducing the pupil-teacher ratio, while poorer schools would be lacking in this regard. Their view is that

because the provisioning model depends on provincial budgets, the “inequalities in class sizes between provinces will also be maintained” (Motala & Pampallis, 2001:201). They insist that the policy to shift teachers from richer to poorer provinces and schools was not successfully implemented.

Funding norms, within the South African context, are defined by Wildeman (2008:3) as guidelines given to education departments of how they should direct certain budget expenditures to schools. The key focus of these norms is to ensure that the principles of redress and redistribution are attained. The idea is to target the poorest learners by ensuring that they receive the bulk of the allocation (60 per cent of the available resources should be distributed to the poorest 40 per cent of the learners). How this pool of poor learners are to be identified is through a process of poverty ranking from most to least poor, with schools given a poverty score based on the poverty levels of the community around the school. These schools are then placed in five different groups, commonly known as quintiles, with quintile one being the most poor and five the least poor (Wildeman, 2008:9).

While the initial policy focused on province-specific poverty-targeting criteria, Wildeman (2008:9) explains that in 2003 the amended legislation included the development of a national resource-targeting list. This was to avoid a situation where learners with similar poverty conditions would be treated differently; depending on which province these learners found themselves in. However, Wildeman (2008:50) also highlights the fact that, due to the shift from provincial to national quintiles, there was a large number of formerly poor schools which now moved into the less poor quintiles.

Wildeman (2008:43) also looks at the issue of no-fee schools, which were declared as such as a direct result of the 2003 education review process. He explains that the new policy required the Minister of Education to publish information about which quintiles would comprise no-fee schools by 1 August, followed by MECs publishing an entire resource targeting list for their provinces by 30 September of each year (Wildeman, 2008:44). According to him, since the implementation of the No Fee Schools Policy the Minister of Education had been declaring the two poorest

quintiles as no-fee categories, and this is where poor provinces especially had been placing the majority of their learners (Wildeman, 2008:44). What has become a concern for Wildeman (2008:45) is the fact that no additional budget allocations or at least a conditional grant has been proposed by the national Department of Education, which placed unnecessary strain on provincial governments having to source this by re-prioritising their baseline allocations. He also finds it surprising that the National Treasury agreed to such a process that compromised the spending autonomy of provinces.

Another important factor, highlighted by Wildeman (2008:47), is that of provincial and municipal boundary changes and the impact that this has had on the No Fee Schools Policy. He argues that the risk of poor schools being squeezed into less poor quintiles emerged in this process. One would have a situation whereby schools that are now included in a province's jurisdiction through demarcation processes would be regarded as more underprivileged, thus forcing other poor schools in this province into less poor quintiles. This was clearly the case in the Northern Cape, when one of the poorest areas previously from the North West Province was incorporated into this province. Most of the schools in this area were placed in the two poorest quintiles.

Wildeman (2008:47) also argues that the No Fee Schools Policy has brought instability in the funding of schools as a result of poor schools being classified in less poor quintiles. They then end up being penalised and losing out from other poverty targeting policies, for example, the School Nutrition Programme. There is also the possibility that poor learners who were previously in no-fee schools find themselves in fee-paying schools, for example, from a primary school to a high school. Such schools inevitably find themselves with parents who are not able or willing to pay school fees, while the government allocation is also very small, resulting in budget deficits (Wildeman, 2008:49).

No-fee schools also experience a problem of cash flow since they may not charge school fees. Thus, they do not have "the necessary cash to deal with unforeseen circumstances and other unplanned incidents" (Wildeman, 2008:51). These and

other problems, such as the lack of capacity in provincial departments to deal with the norms policy as well as the inability to do proper monitoring and evaluation of schools in this regard, seems to have convinced Wildeman (2008:61) that “there are simply too many gaps and unintended consequences that diminish the anti-poverty benefits for poor learners and schools”.

2.3 PUBLIC FINANCE MANAGEMENT

The management of public finances is obviously a very important issue, not only for government, which is entrusted with this function by the citizens through constitutional processes, but also for every citizen in a country who does not want to see government mismanaging or abusing public funds. This has become a very sensitive issue, especially for South Africans who read about fraud and corruption on a daily basis. The discussion in this section will focus on the following areas: understanding public finance; income and expenditure; budgeting, and; education funding.

2.3.1 Understanding Public Finance

In order to answer critical questions about a government department’s role in managing public finances, it is important to look at what is understood by the term public finance.

Hyman (2008:4) defines public finance as “the field of economics that studies government activities and the alternative means of financing government expenditures.” He argues that the study of public finance should expose us to learn about the economic basis of government activities. In this way, we should understand government’s role in the economy and “its impact on resource use and the well-being of citizens” (Hyman, 2008:4).

If we agree that public finance is a field of economics, as described above, we should explore the opinion of Herber (1983:3) that the fundamental economic problem of scarcity “provides a logical point of departure for the study of public finance”. He points to the notion of available resources within any society, which are limited in their ability to produce economic goods (Herber, 1983:3). The factors of production, such as land, labour and capital are limited at a quantitative as well as qualitative level. For example, land is not only limited to a particular geographic spread (quantity) but also as far as the mineral resources and raw materials deposits it contains (quality).

Herber (1983:3) concludes that this limited supply of resources available in a given society is closely linked to the allocation function of economics. He describes this allocation function of economics as a process whereby, given the limited resources available to a society within a context of an unlimited amount of human wants, it becomes necessary to “allocate the scarce resources among alternative uses” (Herber, 1983:4). This allocation function should also be concerned with “the institutional means through which the allocation decisions are processed” (Herber, 1983:4).

In his opinion, modern society normally has two institutions through which such decisions of allocations are to be made, namely the market, which is the private sector, and government, also known as the public sector. The former concerns itself with issues of supply and demand, pricing and profits, while the latter’s allocation is impacted by activities of budgeting, revenue and expenditure (Heber, 1983:4). He further points out that no economic society would use one institution through which it allocates all its resources, but would instead use a mixed system between the market and government. In economics, where the market is more prominent, it would denote a capitalist system, while a socialist system is characterised by government domination (Herber, 1983:4).

Apart from the allocation function, Herber (1983) also emphasises two other economic functions that impact both the private and public sectors of a society. One is the distributive function and the other is the stabilisation function. While the

former relates to the way in which the effective demand over economic goods is divided among members of society, the latter focuses on the performance of the aggregate economy.

He concludes that it is inevitable that the public sector will influence the performance of the national economy in respect of the above-mentioned three economic functions and that it is therefore in society's best interest to adopt policies to achieve allocational, distributional and stabilisation goals. The point pursued here is that the basic economic functions of the public sector are the ones that impact on resource allocation, distribution of effective demand and actual output for the population, as well as the overall economic performance of a society (Herber, 1983:5).

Ulbrich (2003:4) sees public finance as having evolved into what is now known as public sector economics, but the former defines the scope more accurately. The 'finance' in this concept refers to the taxing, spending and budgeting activities of government.

This division of the economic role of government into allocation, distribution and stabilisation is attributed to Richard Musgrave, known as one of the most prominent figures of 20th century public finance (Ulbrich, 2003:3). The definition of 'allocation', according to Ulbrich (2003:3), refers to government activities that affect the quantity and quality of goods and services produced by the economy. 'Distribution' refers to government activities that affect the distribution of income and wealth and 'stabilisation' refers to government activities that impact on the overall level of employment, output and prices.

Kaul and Conceição, (2006:7), however, believe that public finance has become more than just issues of taxing and the expenditure of revenue, since it also involves the channelling of resources to meet public policy goals through government's fiscal, regulatory and monitoring tools to ensure private spending on these goals.

As explained above, government or the public sector plays a key role in the economic allocation function. Hyman (2008:3), in considering the notion of living in

a nation without government, concludes that many services which people may take for granted, such as the provision of roads, the armed forces, health care, welfare and education, could be compromised without government support. He emphasises the fact that “we all benefit from government activities and expenditures” and cites the example of the United States’ annual public spending since 1985 averaging 30 per cent of gross domestic product (Hyman, 2008:3). Hyman (2008:3) succinctly captures the role that governments play in the allocation of resources and the influence that individual choices have on government policy in this regard.

2.3.2 Income and Expenditure

In a discussion of public finance, issues of expenditure, budgeting and revenue must be touched upon. The question of where the money comes from to pay for all of the government services is a common and universal fact – taxes. Hyman (2008:3) states categorically that government spending is financed mainly by taxes and, according to him, the US taxpayer forks out more of his income each year to finance government programmes than he does to satisfy his own desires for basic items. Therefore, while citizens derive benefit from their government’s goods and services, they also pay the costs related to this through taxes.

Statistics from 1979, presented by Herber (1983:318), show that personal income tax was the most important form of revenue in the United States of America (USA), yielding 49 per cent of tax revenues collected by the federal government (see Table 2.10 below). When he adds the corporate income tax of 15 per cent, the figure rises to 64 per cent of all federal tax revenues.

Table 2.10: Percentage Distribution of Tax Revenues from Own Sources

<i>Percentage of total tax revenues</i>				
<i>Type of tax</i>	<i>Federal</i>	<i>State</i>	<i>Local</i>	<i>governments</i>
Property	—	2	74	9
Personal Income	49	20	5	37
Corporation income	15	8	-	11
Sales and gross receipts	5	40	13	15
Customs duties	2	0	0	1
General sales and gross receipts	0	25	8	7
Selective sales and gross receipts	4	15	4	7
Motor fuel	1	6	<1	2
Alcoholic beverages	1	2	<1	1
Tobacco products	<1	2	<1	1
Public utilities	1	2	3	1
Other	1	3	1	2
Motor vehicle and operators' licences	—	3	1	1
Death and gift	1	1	†	1
Payroll taxes (insurance trust, Social insurance)	28	22	4	24
Other	1	4	3	2
Total	100%	100%	100%	100%
* Minor amount included in personal income tax category.				
† Minor amount included in "other" category.				
Source: U.S. Department of Commerce, Bureau of the Census				

Source: Herber, *Modern Public Finance* (1983).

When revenue collection is expressed as a share of gross domestic product (GDP), Ulbrich (2003:52), citing a 1994 World Development Report finds that central government tax receipts of 21 countries ranged from 17.8 per cent of GDP to 44.7 per cent. The USA came in second lowest at 18.5 per cent of tax revenue and was tied with Japan as the lowest out of these 21 countries with total revenue of 20 per cent of GDP. The Netherlands had the highest total revenue of 48.5 per cent of GDP.

In his discussion on the private cost of public finance, Hillman (2003:21) distinguishes between markets and public finance in terms of spending, which for the former is private spending and for the latter is public spending. With the focus on cost, he mentions, on top of taxes, the fact that public spending is also financed through government borrowing or the sale of bonds, or in some cases, the use of

inflationary financing (which is when government prints money simply to finance their spending) or lotteries.

While revenue collection is an important element within the public finance arena, expenditure plays an equally valuable role. This can be observed by the importance attached to it in statistics on revenue referred to above. Spending as a percentage of GDP among the same 21 countries reflects almost similar trends as those seen in revenue. But this time, the USA comes in at the lowest spending at 21 per cent while the Netherlands is at the higher end with 47.8 per cent second only to Israel at 48.1 per cent (Ulbrich, 2003:52).

Ulbrich (2003:317) acknowledges that in the history of public finance, the attention was mostly on taxes and revenue and that it was only “in the last 30 years that significant attention has been paid to the expenditure side of the equation.” In the 1979 statistics of Herber (1983:316), government expenditure shows the single most important functional expenditure category as social insurance at 21 per cent, followed by educational expenditures constituting 16 per cent of the total United States federal, state and local governments combined (see Table 2.11 below).

Table 2.11: Percentage Distribution of Direct Functional Expenditures by Level of Government, Fiscal Year 1979

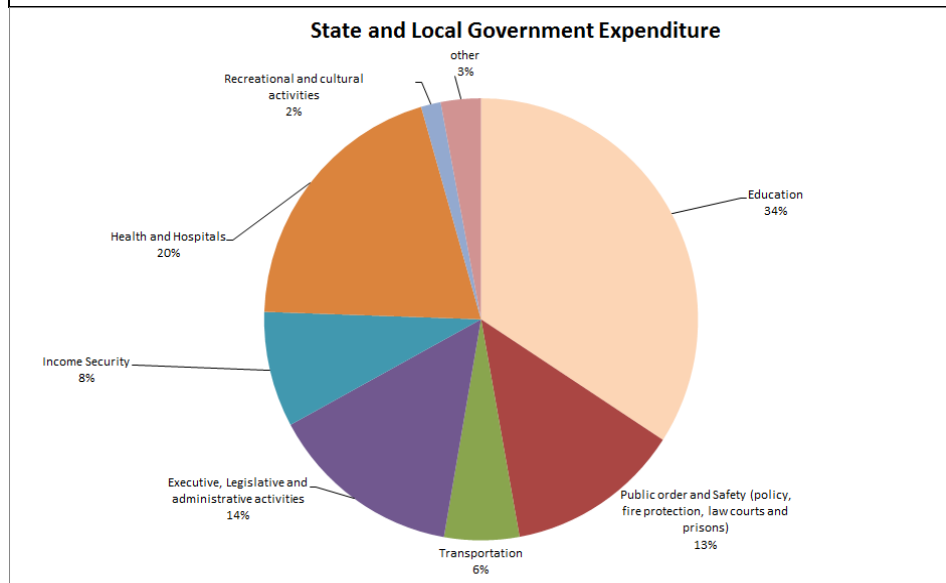
<i>Percentage distribution of total expenditure by function</i>				
<i>Function</i>	<i>Federal</i>	<i>State</i>	<i>Local</i>	<i>All governments</i>
General	67%	84%	87%	75%
National defence and				
International relations	28	0	0	15
Education	2	21	38	16
Highways	<1	12	5	4
Public welfare	4	19	5	7
Hospitals	1	7	5	3
Health.....	1	2	1	1
Police	<1	1	5	2
Natural resources	6	3	<1	4
Housing and urban renewal	1	<1	2	1
Air transportation	1	<1	1	1
Water transport and terminals	<1	<1	<1	<1
Social insurance				
administration	1	1	<1	<1
Financial administration	1	4	4	2
Interest on general debt	11	4	3	7
Other	10	10	18	12
Utility and liquor stores	0	3	12	4
Insurance trust (social insurance)	33	13	1	21
Total	100%	100%	100%	100%
Note: Intergovernmental transfers are represented by the recipient governments, which directly spend the funds for a functional purpose.				
Source: U.S. Department of Commerce, Bureau of the Census				

Source: Herber, *Modern Public Finance* (1983).

Education is also the highest single most important expenditure item at state government level at 21 per cent of the total. This is also true for local governments, with education constituting 38 per cent of total spending. The issue of government spending on education will be further explored later in this chapter.

Table 2.12: State and Local Government Current Expenditures by Function, Includes Expenditure Financed by Federal Grants-In-Aid, 2004

Expenditure Category	Amount (billions of dollars)	Percentage of Total
Education	542.6	34.18%
Public order and Safety (policy, fire protection, law courts and prisons)	206	12.98%
Transportation	88.6	5.58%
Executive, Legislative and administrative activities	227.7	14.34%
Income Security	134.3	8.46%
Health and Hospitals	317.5	20.00%
Recreational and cultural activities	23.3	1.47%
other	47.5	2.99%
Total	1.587.5	100.00%



Source: Hyman DN, Public Finance

A much later study by Hyman (2008:18), shows that even in 2004 education continued to be the most important category of state and local government spending in the United States, accounting for 34 per cent of total outlays for these

spheres of government (see Table 2.12 above). He explains that, while local governments take responsibility for primary and secondary education, state governments assist by providing grants or at times cover expenses related to educator salaries. Another major expenditure category of state and local government is healthcare at nearly 20 per cent of total spending in the same year of 2004.

It might be useful at this point to mention two hypotheses advanced by academic studies on the link between globalisation and public spending (Kaul & Conceição, 2006:109). The first, known as the efficiency hypothesis, indicates that public spending tends to decline where there is increased economic integration. The second theory, which is the compensation hypothesis, suggests that where there is increase in economic openness, governments tend to expand. The conclusion is made, however, that little support exists for the latter hypothesis, while the efficiency hypothesis carries some empirical support. If one looks at growth in public spending, generally it “appears static and in some instances is on the decline” (Kaul & Conceição, 2006:109). It was also found that, from 1980 until the end of the 1990s, public spending as a share of GDP declined in developing countries at the time of increased global economic openness (Kaul & Conceição, 2006:113).

However, there are other factors, apart from globalisation, that contribute to changes in public spending. One important factor is a country’s income level. Wagner’s Law or the Wagner hypothesis holds that “the higher a country’s income, the higher its public spending” (Kaul & Conceição, 2006:113). Wagner was a famous German political economist who suggested that there was a “cause-and-effect relationship between the growth of an industrializing economy and the relative growth of its public sector” (Herber, 1983:323).

This is true for both industrial and developing countries where incomes have risen, contributing to public spending growth. Kaul and Conceição (2006:113) also cite Alesina and Wacziarg (1997), who argue that country size also influences public spending, with smaller countries tending to be more open and having higher public spending patterns.

2.3.3 Budgeting

Another important component within the public finance sphere is the issue of budgeting. The national budget is probably one of the most topical issues for many South Africans when it comes to financial matters. In South Africa, many ordinary citizens remain glued to television sets or listen to radios when the Finance Minister presents the budget during the parliamentary sitting, normally during February each year.

A few notable issues for discussion emerge from this scene described above. Firstly, people have an interest in the budget because it deals with public money, which “belongs to the People” (Pauw, Woods, van der Linde, Fourie & Visser, 2011:55). Secondly, the Minister, presenting the budget is part of the Executive, which governs the country under the leadership of the President in whom executive authority is vested in terms of the Constitution. The Finance Minister is also the head of the National Treasury, which is the government department tasked with the political and administrative responsibility, with the support of various other intergovernmental structures, to prepare the Budget (Pauw, et al., 2011:34). Thirdly, the Budget is presented in parliament because this is the constitutional body responsible for public money in South Africa and is therefore “the most important role-player in public financial administration” (Pauw, et al., 2011:33).

But what exactly is a budget? Pauw, et al. (2011:78) describe it as a plan that authorises the purchasing and production of public goods and services for the people within a particular political context, which is this field where the legislature interacts with the political and administrative executive as described above. Herber (1983:79) explains that, while in a parliamentary system of government, the budget is usually adopted mainly in the form in which it is presented by the executive, in the United States Federal system it is likely to be amended substantially by Congress.

Ulbrich (2003:320) calls the budget a “spending plan that is based on expected revenue and the setting of priorities of the quantity and quality of services to be

provided and the transfers to be made”. Her argument is that budgeting is a process which involves the drawing up of a revenue plan, expenditure forecasts based on requests from the various government departments and agencies, as well as a procedure for handling gaps between revenues and expenditures (Ulbrich, 2003:320).

The first element, which is revenue forecasting, requires a process of determining how much revenue would be available for spending in a particular year, as well as where it would come from. For example, taxes from income, retail sales and property. However, revenue forecasts are normally preceded by the economic outlook or forecast, which makes projections on the economy over the next few years. This is important, since the state of the economy would determine the rate of employment and inflation, for example, to indicate if individuals or companies have money to pay taxes. In this way, the economic forecast is linked to the tax base, which then translates into revenue (Ulbrich, 2003:321).

The second element, namely expenditure forecasting, at times follows historical trends. That is, there are those expenditure items, which can be regarded as predetermined since they are linked to programmes already set in place by previous legislative processes. These include social security, healthcare, public education and prison services. Ulbrich (2003:328) argues that outlays for such services are forecast rather than budgeted since additional expenditure would normally be incurred even when amounts to be spent on all those that qualify exceeds the budget. In other words, the budget cannot become a restriction when there are people who qualify for services through age distribution, e.g. providing classrooms for all children between 5 and 18 years (school-going age) or people who are entitled to disability grants, or old-age (65 years and older). These are matters of policy and people feel entitled to such programmes. Ulbrich (2003:328) believes that expenditure forecasting “lends itself to the development of econometric models and other statistical forecasting techniques” of which some of the major variables are expected inflation rate and population growth.

The third element, which deals with gaps in budgeting between revenue and expenditure, brings the study to the point of balanced budgets. It is important for government to have a balanced budget when handling public finances. When expenditure exceeds revenue, the budget is said to be in deficit and, in order to cover the shortfalls, governments might resort to borrowing. However, as pointed out by Ulbrich (2003:339), borrowing, especially when done at such high levels, tends to drive up interest rates and makes it expensive for government to borrow. Other options in addressing a budget deficit is the issue of re-prioritising by focussing on funding items which have more public value or the issue of making changes to the tax system. This could mean increasing individual income or corporate taxes.

The budget, which Pauw, et al. (2011:55) also refers to as a “public expenditure budget” is presented to cover expenditure in a particular fiscal year, which is the twelve months to which a government budget applies. In South Africa, the fiscal year for national and provincial government is the period from 1 April to 31 March (Pauw, et al., 2011:56). In the US, the fiscal year used to begin on 1 July until it was changed in 1977 to begin on the 1 October (Ulbrich, 2003:319), while for state governments it runs from 1 July to 30 June (the same as local governments in South Africa). Incidentally, according to Ulbrich (2003:319), the thousands of United States local governments have no uniform schedule, with some running a July-June fiscal year and others using the calendar year.

Another important point of discussion in budgeting raised by Ulbrich (2003:328) is the issue of effecting change in planned spending. When it comes to policy decisions on budgeting, she mentions two components. The one is to re-examine expenditure patterns and to make decisions about the re-allocation of resources or even to accommodate new priorities by using techniques such as programme budgeting, performance budgeting and zero-based budgeting. The other is to evaluate new programmes or projects using a cost-benefit analysis (Ulbrich, 2003:328).

Ulbrich (2003:329) explains that before the 1950s public sector budgeting focused on line items, for example, salaries and wages, utilities and equipment, which all had line item entries. But line item budgets only consider input and, because government is output-driven, programme and performance budgeting was developed. Programme budgets focus on a group of related government activities with a specific budget for these activities, for example, the youth sports programme of a recreation department. On top of funding for these activities, there is also an overall administrative budget covering the general management of individual programmes. According to Ulbrich (2003:329), it makes more sense from an economist's perspective to do programme budgeting since the value of the programme can be compared to the cost. Thus decision-makers could assess whether it is cost effective to continue, expand or reduce the budget of a programme going forward. While programme budgeting focuses on outputs, performance budgeting goes further by attempting to define the outcomes. It looks, for example, at the number of children partaking in a recreation programme and budget allocations are then made to these outcomes. Ulbrich (2003:329) finds that performance budgeting is more complex and therefore not used as much as programme budgeting.

In order to understand zero-based budgeting, one must first look at the incremental budgeting technique. This technique is based on the budget of the previous year, which is adjusted upward by deciding whether certain programmes need more funding or is to remain the same, depending on the previous year's performance. However, Ulbrich (2003:329) finds that zero-based budgeting is not very popular in the public sector due to the huge amounts of documentation that this process requires. Zero-based budgeting expects government agencies or programmes to prepare a huge amount of what is called 'decision packages', each with different levels of services and expenditure. All this data is collected and arranged depending on priority.

Cost-benefit analysis is also an important element in the budgeting process. Ulbrich (2003:331) defines this concept as a technique used to evaluate proposed

programmes or projects with the purpose of determining whether “the anticipated benefits exceed the anticipated costs over the life time of the program or project”. The idea is to include all material costs, both monetary and non-monetary. Dunn (2012:207) views it as “an approach to policy prescription that permits analysts to compare and advocate policies by quantifying their total monetary costs and total monetary benefits”. According to him, cost-benefit analysis could be applied prospectively, that is, in prescribing policy actions or it could be used retrospectively in the case where policy performance is evaluated. Dunn (2012:208) also argues that cost-benefit analysis, when used to make prescriptions in the public sector, aims, amongst others, “to measure all the costs and benefits to society that may result from a public program”. Included in this process is a range of intangible items, which are not always easily measurable in terms of monetary costs and benefits.

Cost-benefit analysis or benefit-cost analysis, which is the name preferred by Herber (1983:87), is also seen as a fiscal instrument intended “to improve the efficiency with which public sector budgetary decisions are made”. It is therefore a process aimed at measuring the economic value of alternative government programmes and projects in order to ensure the efficient use of public resources.

2.3.4 Education Funding

Ulbrich (2003:342) makes an important statement about education funding when describing the financing for education provision as investing in “human capital that pays significant lifetime dividends”.

A person’s income over their lifetime is linked to their qualifications, and therefore the type and quality of education received during their schooling become important factors. An interesting statistic mentioned by Ulbrich (2003:345) in support of this argument is the example of workers with at least four years of college education who, in 1990, were earning on average 2.2 times more than workers with only some high school education. Ulbrich considers this to be quite an impressive return on investment (2003).

Government has the essential responsibility of providing public education to its citizens at all levels. Ulbrich (2003:342) cites the United States as an example where the primary responsibility for this is vested at state and local government levels; while there has been a steady decline of federal financing of education. According to her, education is one of the major public expenditure components of government, not only in the United States but also in most other industrial countries. Together with three other major categories of public expenditure, namely infrastructure, social security and health care, they involve both federal and state-local roles, impact most households and pose important policy challenges (Ulbrich, 2003:317-318).

Hyman (2008:715) concurs that the United States' contribution to primary and secondary education financing by the federal government is only about six per cent of the total cost, with the bulk of the resourcing shared between state and local governments. The combined state and local government expenditure on public schooling in the United States reaches an amount of nearly 40 per cent of their budgets (Hyman, 2008:715). In South Africa the picture is similar, with the exception that education is not a responsibility of local government, but that of the national and provincial spheres. Motala and Pampallis (2001:74), cite a 1997 Department of Finance report which highlights the fact that "Education is the largest item in provincial budgets, accounting for between 35 and 40 percent of spending".

In most parts of the world the cost of educating a learner is enormous. By way of example, statistics for the United States in 1999 showed the average per pupil spending in public schools as \$6 915. With students in public schools totalling between 42.7 to 47 million at the time, the total expenditure on education amounted to \$377 billion (Ulbrich, 2003:343-350). In South Africa, it was estimated that during the same period (around 1997/1998), the average national projected learner cost was R 2 903. The total cost of the increase in new learners, including those that repeated a year, amounted to R976 million in the 1998/99 financial year (Motala & Pampallis, 2001:83).

Another important factor to consider in terms of education funding is the issue of inequality. Ulbrich (2003:353) highlights the interstate inequality in relation to the spending per pupil in 1995, with Alaska at \$9 994, and Utah at \$3 888. The situation is complex in South Africa, which has a history of racial segregation with subsequent gross levels of inequality in education provision for different racial groups, amongst others. In the 1991/92 financial year, for example, the school expenditure per white pupil was R 4 448 per annum, while it cost only R1 248 for a black learner (Motala & Pampallis, 2001:56).

With the dawn of democracy in 1994, nine provinces were established with each carrying varying degrees of the impact of past racial policies, depending on whether there were homelands and Bantustans in the province. There existed a rural-urban divide whereby some provinces with a primarily rural nature, such as Limpopo and the Eastern Cape, were largely impoverished while more urbanised provinces, such as Gauteng and the Western Cape, were relatively densely populated and industrialised (Russo, Beckman & Jansen, 2005:124). There are stark differences in these provinces' spending per learner. Russo, et al. (2005:127) cites statistics which reflect that in the 1999/2000 financial year, the rural-based provinces were spending far less than the richer provinces in relation to their expenditure per learner. For example, the Eastern Cape and Limpopo spent R2 846 and R3 211 respectively, while Gauteng was at R4 021 and the Western Cape at R3 987. Ironically, the Northern Cape, which is also largely rural, was spending the highest amount per learner at R4 438.

It is clear from the examples above that the principle of equity would have to apply in order to ensure that class or status does not determine the quality of education that a child receives. In this regard, Ulbrich (2003:347) refers to education as a merit good, because it is something that one is entitled to on the basis of their membership to society, irrespective of ability to pay. She sees it as an in-kind transfer that is designed in such a way that children from poor families receive the benefits without having to rely on their parents to ensure that this is provided (Ulbrich, 2003:347).

Ulbrich (2003:350) argues that in the United States, for example, school districts and local governments responsible for education have very different tax resources. Therefore, in order to provide for a degree of equalisation in accessing educational resources there must be a redistribution of school funds at state or federal level (Ulbrich, 2003:350). She explains that these federal funds should be aimed at specific programmes that focus on disadvantaged children. These would include school feeding programmes or other “categorical grant programmes that single out schools with a high proportion of students with special needs that may range from a free breakfast to disability access to special education” (Ulbrich, 2003:350). These grants, according to Ulbrich (2003:302), also operate as a means for the federal government to influence or persuade states and school districts to redesign their priorities in order to qualify for federal aid.

While a number of grant types exist, the one of particular interest from a South African perspective is the conditional grant. Herber (1983:339) defines a conditional grant as one that involves “the specific application of restrictions by the grantor (disbursing) government concerning how the funds may be used by the grantee (recipient) government”. This means that the grantor government, which normally is the federal (or national) government, would require, for example, that the grantee government only use the funds for education for a specific purpose, such as textbooks or educator salaries (Herber, 1983:340). One of the uses of such conditional grants for education in South Africa is for the primary School Nutrition Programme (Motala & Pampallis, 2001:76).

At times, in an effort to ensure the application of equity across states or provinces, a federal or national government may end up simply ordering these states or provinces to perform certain functions or meeting a required standard without offering to pay the costs thereof. This kind of order, according to Ulbrich (2003:302), is known as an unfunded mandate, which in many instances becomes a source of dissension between these two spheres of government. Russo, et al. (2005:128) explains that it is possible for mandates that are formulated at a national level to remain unfunded in the provinces. They mention cases within the

public education system where the initial funding will be provided nationally but then the expectation will be that provinces ultimately incorporate and manage this within their budget allocations. According to Russo, et al. (2005:129), these unfunded mandates may lead to increasing levels of expenditure, with the “framework provided by the MTEF as well as by the internal bidding processes” making it impossible for provinces to manage their budgets.

In concluding the discussion on equity, it is worth noting the comments of Motala and Pampallis (2001:90) in relation to the South African situation. They maintain that, while education policies were geared towards redressing the failures of the past in order to attain an equitable environment and promote quality education, the lack of adequate state funding was seriously constraining the effectiveness of these policies.

2.4 THE IMPORTANCE OF EFFICIENCY

Much has been said about government’s wasting of public resources (for example, the Nkandla saga). Therefore, although it is important to reflect on the issue of efficiency, the question of how efficiently governments manage public resources is often a thorny matter.

How do we define efficiency? According to Hyman (2008:55), it is “a normative criterion for evaluating the effects of resource use on the well-being of individuals”. Thus, he refers to the efficiency criterion, which he argues is satisfied when resources used over a specified time are used in such a manner that it is impossible to increase the well-being of any one person without reducing the well-being of any other.

Ulbrich (2003:6) refers to economic efficiency as being measured by the quality as well as variety of goods and services produced, consumed and distributed by members of a society from the limited available resources. Her point of departure is that the market is more efficient than any other alternative economic system in that

it discerns the combination of goods and services wanted by people as well as being efficient in ensuring “that goods are produced at the lowest possible resource cost and sold at the lowest possible price” (Ulbrich, 2003:6). She argues that the market is the ideal tool to achieve the primary objective of efficiency in the use of scarce resources.

Hillman (2003:6) suggests that efficiency, which is achieved through markets, requires that these markets should be competitive. It is therefore government’s responsibility to preserve and protect competitive markets. According to Hillman (2003:9), it is possible for markets to fail to achieve efficiency, in which case it becomes government’s responsibility to correct such inefficiencies. Inefficiencies, in his opinion, are the result of spending benefiting a number of people at the same time, such as spending on roads, national defence or disease prevention.

Another important aspect related to efficiency theory is what is known as Pareto efficiency. According to Hyman (2008:84), this is the level of attainment where it is no longer possible to make anyone better off without at the same time making another worse off. Hillman (2003:10) refers to Pareto efficiency as being achieved in production when “no more of any good can be produced without giving up some quality of another good”. As far as consumption is concerned, he explains that Pareto efficiency is achieved at the point where “an allocation of goods or income among people cannot be changed to make someone better off, without making someone else worse off” (Hillman, 2003:10). Ulbrich (2003:6) refers to this as Pareto optimality, which she defines as an economic situation in which “it is not possible to make at least one person better without making one or more persons worse off”.

Within the government sphere or public sector domain, there are some noteworthy points related to efficiency. One of these is that when governments’ approach is to intervene in correcting market failure, it may lead to the creation of new forms of inefficiency that could be equal or even greater than the inefficiencies that were intended to be addressed. Ulbrich (2003:12) calls this government failure. She argues that factors leading to government being less efficient compared to the

private sector are wide ranging. These include the fact that government services are not profit driven and therefore public servants are not threatened by job losses in the same way that private firms deal with underperformance. There is also the issue of government procurement practices, which are seen as being “cumbersome and inefficient” (Ulbrich, 2003:12). This is, according to her, as a result of the government, in its intention to avoid fraud and corruption, ending up paying more for its purchases than would be the case with a private company.

There is also a relationship between efficiency and government in a market economy, of which Ulbrich (2003:66) emphasises three aspects. The first is the expectation that government ensures conditions that are favourable for efficiency. The second is that government should strive for efficiency in the same way as the private sector. The third important relationship is government’s function of producing goods and services that are in demand by citizens and that the market either fails to produce in the right quantities or does not produce at all. These are known as public goods.

Hyman (2008:69) also looks at efficiency in relation to equity, which refers to “the perceived fairness of an outcome”. Of course, the idea of equity depends largely on people’s perception of fairness. In the area of public finance, analysts establish the effects of government’s actions on the allocation of resources as well as the distribution of well-being and, according to Hyman (2008:69), this provides information that can be used to judge the equity of alternative policies against people’s own notion of fairness.

The conclusion drawn by Hyman (2008:415) is that the most efficient means of government finance is when the levels of revenue are raised, while at the same time losses in well-being from market production and exchange are minimised.

2.5 CONCLUSION

The above literature review gives a sound basis for understanding the key issues relating to the study. These issues include our developmental agenda, which is an important point of departure for any country's growth path, perspectives on public finance management, as well as theories on efficiency.

All the literature covered in this chapter are relevant to the study because they give a wide-ranging framework within which the research can be contextualised. The literature dealing with the issue of development allows the reader to get an understanding of one of the key outcomes of education provision and how the funding thereof impacts on development. The literature on finance management as well as efficiency provides essential background to the study. It gives us theoretical perspectives of governments' dealings with public finances and the broad expectations of society with regard to the usage of these finances for their benefit. This links directly to the subject matter of the study in respect of how an important government department such as the NCED could reasonably be expected to distribute and utilize public funds.

In the section on development, this chapter looked at the inputs of some experts on development theory and provided a background of our country's socio-economic landscape. The broad policy framework of government was also explored, along with what measures it proposes to advance development in the education sector.

The following are some of the key points from the chapter, some of which will be reflected on further in the study:

- Apart from pursuing an industrialised path, developmental states should also invest in education and human capital. One important goal for sustainable development (as contained in the SDGs) is the provision of inclusive and equitable education and the promotion of lifelong learning opportunities for all;
- While education is seen as a basic human right, it does come at a huge cost and spending on this should be based on a cost-benefit analysis. It is important to be guided by a decision rule that requires those that are able to pay for

government services, such as education, to do so, while not denying access to those who are unable to pay;

- The efficient and cost-effective use of resources is a fundamental principle and we should thus not tolerate the mismanagement or abuse of such resources. It is important to maintain a well-functioning public education system to ensure sustainable and equitable growth;
- The NCED's target of over 180 000 learners to be included in the No-Fee Schools Policy is premised on a belief that the province has a high unemployment rate as well as high levels of poverty. The statistics show that the unemployment figures for the Northern Cape, between 2002 and 2013, ranged from a low of 19.7 per cent (2004) to a high of 28.3 per cent (2012). The number of people regarded as living in poverty had decreased from 474 015 in 2003 to 445 329 in 2013, giving the Northern Cape the third lowest percentage of people living in poverty after the Western Cape. The Northern Cape is also one of the provinces with a very low average household expenditure on education, second only to the lowest spending province of Limpopo;
- The National Development Plan (NDP), as a policy directive adopted by government, is geared broadly towards eliminating income poverty and reducing inequality. It also specifically targets education in a number of areas, namely expansion of access to ECD, reduction of bureaucratic layers in education management, and improved support to poorly performing schools;
- Governments, at both national and provincial level, play an important role in providing and financing essential services, including education. They do so through a bureaucracy, which they have at their command. The bureaucracy is a vital component of government without which decisions made by elected officials would not be implemented. While most bureaucrats subscribe to a Weberian doctrine, which means they show dedication to their task in service of the general public, there are those who act in their own self-interest. This behaviour, which seeks more power and influence, could lead to an over-extension of the government sector and the maximisation of budgets. This

‘Niskanen model’ of the bureaucrat, creates a constant upward pressure on public expenditure;

- The SFN policy was implemented in South Africa as a way to ensure equity and redress. It sought to target the poorest learners by ensuring that they receive the bulk of funding allocations from government. This was to be achieved through a poverty ranking system whereby schools would be categorised in quintiles, from most to least poor. An amendment to the policy in 2003 ensured that this poverty ranking would be done nationally instead of provincially. It also led to the No Fee Schools Policy;
- Education is not regarded as a pure public good since it has characteristics of both a public good as well as private goods – it is thus a partial or quasi-public good. There is what is called a ‘free-rider’ problem within the domain of public goods, where there are those who seek to benefit from the use of the public good without paying. While it may be reasonable to expect a few individual consumers to become free-riders, it turns into an unsustainable situation when too many opt for this. The issue of ‘entitlements’ is also an important one within the provision of public goods, and describes those who receive these as a basic human right but do not have the means to pay. To determine whether people qualify for such entitlements, a ‘means test’ can be applied, which would restrict access to these entitlements based on income, wealth or age;
- The idea of public finance has to be understood within the context of limited resources for an unlimited amount of wants. It involves the channelling of resources to meet public policy goals through government’s fiscal, regulatory and monitoring tools. There is no doubt that the provision of public education to its citizens is an important responsibility of governments. Education spending generally makes up the highest single most important expenditure item of government. It accounts for between 35 and 40 per cent of provincial budgets. It is also important to note Wagner’s hypothesis, which maintains that a country’s public spending normally increases when its income grows, which is true for both industrialised and developing countries. One can therefore conclude that public spending cannot increase where economic growth is low.

Cost-benefit analysis is an important technique to be used by government during budgeting processes. Its value is that it improves the efficiency with which public sector budgetary decisions are made;

- The idea of efficiency already acknowledges the context of limited resources – thus the notion of the ‘efficiency criterion’ of limited resources where this is used in such a way that it becomes impossible to increase any one person’s well-being without reducing the well-being of another person. This is also known as Pareto efficiency or optimality.

In the next chapter the focus is on the legislation and the regulatory framework, which controls the process of education provision in the country and provinces, as well as the management of public finances allocated for the implementation of these government services.

CHAPTER THREE: LEGISLATIVE AND POLICY FRAMEWORK

3.1 INTRODUCTION

The provision of public education in South Africa, as well as the funding thereof, is managed and governed within the framework of laws, regulations and policies which, since the new democratic order, intend to restore our society from past injustices and, according to our Constitution (1996), ensure that “everyone has the right to a basic education”.

This framework includes a range of issues related to government funding for schools, financial management and the constitutional provisions around schooling. The right to basic education is guaranteed to South African citizens in terms of the Constitution. Therefore, the state is given the responsibility to ensure equal access to schooling for everyone. Schedule 4 of the Constitution also provides for education to be a functional area of concurrent national and provincial legislative competence. This makes it possible for provinces to take responsibility for education through executive authority provided for in Section 125 of the Constitution. Thus, the NCED is constitutionally obliged to manage education matters in the province.

This chapter looks at a range of legislative and regulatory policy documents related to education, as well as the way public finances in South Africa should be managed. The documents to be explored for purposes of this study are the following: the South African Schools Act and the Northern Cape School Education Act; the National Norms and Standard for School Funding; the Amended Norms and Standards for School Funding; the Public Finance Management Act; Treasury Regulations; the Intergovernmental Relations Act, and the Division of Revenue Act.

3.2 THE SCHOOLS LEGISLATION

The fact that education is a concurrent functional area between national and provincial government makes it possible for this responsibility to be exercised by both national and provincial legislation, provided that the two do not contradict each other.

The South African Schools Act (No. 84 of 1996) and the Northern Cape School Education Act are a case in point. Both these acts provide, firstly, for the establishment of public (as well as independent or private) schools, with funds appropriated for this purpose by the provincial legislature clearly outlining the responsibility of the Member of the Executive Council (MEC) in this regard. Secondly, both acts outline similar procedures to be followed in respect of the funding of public schools. These acts emphasise that it is the responsibility of the state to avail funds for this purpose from public revenue to be distributed to schools on an equitable basis with a sharp focus on redress. Thirdly, both acts determine the financial year of schools as commencing on the first day of January and ending on the last day of December. Fourthly, while both acts direct the state to annually provide adequate funding information to schools in order for them to prepare the school budgets for the following financial year, the Northern Cape Act specifies that this should happen by the 30 September each year (Northern Cape Education, 1996).

3.3 THE NATIONAL NORMS AND STANDARDS FOR SCHOOL FUNDING

Section 35 of the National Schools Act allows for the setting of norms and standards for funding of public schools. The School Funding Norms (SFN) provide for financial allocations to public schools based on a per-learner transfer to schools to execute the various functions and responsibilities related to Section 21 of the Act.

According to the SFN document, which became national policy on 1 April 1999 and was to come into effect in the 2000 school calendar year, principles of equity,

redress and efficiency were to be seen as fundamental in provincial funding allocations (Department of Education, 1998:5). In order to affect redress and improve equity, the SFN requires public spending on schools to specifically target the needs of the poorest. The expectation is that parents who have the means should be able to contribute to the school's fund to make up shortfalls brought about by state funding becoming less for affluent or less poor schools.

To ensure that the principle of efficiency is maintained, the SFN requires that provincial education departments acquire the services of highly skilled and specialised individuals, such as finance and data analysts, accounting experts, senior statisticians and education planners (Department of Education, 1998:19). The idea is that provinces are to ensure adequate capacity for the implementation of the SFN and if they struggle with the initial appointment of such experts, they are to devise a detailed management plan that indicates how they would achieve these targets. Thus, the national norms are to be applied in a progressive manner to a point where they are implemented fully and comprehensively.

The SFN provides for a system whereby provincial education departments (PEDs) must develop a ranking of schools in terms of their geographical location. This will entail an analysis of schools in relation to their physical condition, the physical facilities of the school, as well as the relative poverty of the school community. Sources to be used to develop criteria for the ranking process include the School Register of Needs Survey and census data. Thus, the funding allocations to schools for non-personnel items will be based on a Resource Targeting Table (see Table 3.1 below). After developing this ranking list, PEDs divide the list into five quintiles, ranging from the poorest to the least poor (i.e. quintile 1-5). This distribution by quintile will then determine a province's per learner allocation based on the Resource Targeting Table (Department of Education, 1998:29).

Table 3 1: Resource Targeting Table based on Condition of Schools and Poverty of Communities

School quintiles, from poorest to least poor	Expenditure allocation	Cumulative percentage of population	Cumulative percentage of non- personnel and non- capital recurrent expenditure	Per learner expenditure indexed to average of 100
Poorest 20%	35% of the resources	20%	35%	175
Next 20%	25% of the resources	40%	60%	125
Next 20%	20% of the resources	60%	80%	100
Next 20%	15% of the resources	80%	95%	75
Least poor 20%	5% of the resources	100%	100%	25

Source: Government Gazette, No.19347, 12 October 1998 (National Norms and Standard).

Apart from covering all non-personnel expenditure, such as maintenance of school property and payment for services as provided for in Section 21 of the Schools Act, the SFN also provides for hostel costs as well as funding norms for independent schools in the form of subsidies. These subsidies are calculated by cost per learner based on the verified enrolment in the school at the start of each school term (Department of Education, 1998:41).

Public schools are also required to allow for fee exemptions for those parents who are unable to pay school fees. It is a legal requirement that school governing bodies (SGBs) notify parents of a school about the equitable criteria and procedures to be followed in respect of fee exemptions. Parents will hereby either qualify for full exemption, when their combined annual salary is less than ten times the annual school fees, or partial exemption, in the case where it is more than ten times but less than thirty times the annual school fees per learner (Department of Education, 1998:34).

3.4 AMENDED NORMS AND STANDARDS

Some key amendments to education law in South Africa were introduced in 2006 in order to address the challenges and shortcomings that were experienced during the implementation phase of both the Schools Act and SFN.

The amendments to the SFN policy included a more comprehensive set of requirements whereby learners as well as public schools would be categorised into national quintiles, instead of only provincial lists as was previously the case. This was to address concerns around inter-provincial equity. The responsibility to ascribe poverty scores to public schools in order to rank them from poorest to least poor still remains that of provincial authorities. However, the updated process includes a national scoring methodology, which would “promote a pro-poor funding framework that treats equally poor schools equally, regardless of the province they find themselves in” (Department of Education, 2006:29).

Table 3.2: National Table of Targets for the School Allocation (2007-2009)

A		2007		2008		2009	
		B	C	B	C	B	C
NQ1	30.0	R738	100%	R775	100%	R807	100%
NQ2	27.5	R677	100%	R711	100%	R740	100%
NQ3	22.5	R554	100%	R581	100%	R605	100%
NQ4	15.0	R369	67%	R388	67%	R404	67%
NQ5	5.0	R123	22%	R129	22%	R134	22%
Overall	100.0	R492	89%	R517	89%	R538	89%
No fee threshold		R554		R581		R605	

Source: Government Notice, No. 29179, 31 August 2006 (Amended National Norms and Standards).

The ranking of public schools is still based on the resource targeting list. The amendments now also include a Table of Targets (see Table 3.2 above), to be

nationally implemented, as well as a National Poverty Distribution Table (see Table 3.3 below).

Table 3.3: National Poverty Distribution Table

	National quintiles					Total
	1 (poorest)	2	3	4	5 (least poor)	
Eastern Cape	34.8%	21.6%	21.0%	11.6%	10.9%	100%
Free State	30.8%	14.9%	20.1%	18.8%	15.4%	100%
Gauteng	10.5%	11.4%	27.4%	27.2%	23.6%	100%
KwaZulu-Natal	24.2%	18.8%	25.6%	17.3%	14.1%	100%
Limpopo	34.0%	22.3%	24.9%	11.6%	7.2%	100%
Mpumalanga	16.7%	20.2%	29.8%	19.9%	13.5%	100%
Northern Cape	26.3%	17.7%	21.6%	14.8%	19.6%	100%
North West	22.7%	15.2%	30.5%	20.5%	11.0%	100%
Western Cape	6.5%	8.0%	23.1%	27.7%	34.6%	100%
South Africa	20%	20%	20%	20%	20%	100%

Source: Government Notice, No. 29179, 31 August 2006

These tables determine the exact funding allocation to public schools based on a formula whereby in the year 2007, for example, the poorest group of learners nationally (i.e. quintile one) received 30% of funding, while the least poor learners (i.e. quintile five) only received 5%. This means the poorest receive six times more than those in quintile five.

The national poverty table indicates that the Eastern Cape has the largest group of poorest learners at 34.8% and the Western Cape the smallest group at 6.5%. The Northern Cape, according to this table, has the fourth largest group at 26.3%. The 2013 table (see Table 3.4 below) has Limpopo at 28.2% (the largest) and Western Cape at 8.6% (the smallest). The Northern Cape has decreased to 21.5%, which brings it down to sixth position (Department of Education, 2013).

Table 3.4: National Poverty Distribution Table

National Poverty Distribution Table						
Quintiles						
%	1 poorest	2	3	4	5	Total
EC	27.3	24.7	19.6	17	11.4	100%
FS	20.5	20.9	22.4	20.8	15.4	100%
GP	14.1	14.7	17.9	21.9	31.4	100%
KZN	22.1	23.2	20.2	18.7	15.8	100%
LP	28.2	24.6	24.2	14.9	8	100%
MP	23.1	24.1	21.5	17.7	13.5	100%
NC	21.5	19.3	20.7	21.4	17.1	100%
NW	25.6	22.3	20.8	17.6	13.7	100%
WC	8.6	13.3	18.4	28	31.7	100%
SA	20	20	20	20	20	100%

Source: Government Gazette, No. 36222, 8 March 2013

The other significant amendment to the Schools' Act was the new provision of what would be known as no-fee schools. Provinces, through a formal government gazette process by the MEC, had to publish a list of schools indicating in which quintiles they fall and which of them were to be no fee schools. Schools identified in the no fee category were prohibited from charging fees since government would be responsible for funding these learners at an amount per learner known as the no-fee threshold (Department of Education, 2006).

The amendments to the SFN outline the steps to be followed in the implementation of school funding allocations. Firstly, the minister must publish school allocation information over a three-year period in the government gazette by 1 August each year. Secondly, the Minister must publish which quintiles would comprise no-fee schools in the year to follow by 1 August. Thirdly, provinces were to process and analyse data related to poverty scores, provincial budgets, as well as school allocation data as published by the minister to determine the provisional individual school allocations to be communicated in writing to schools by 30 September each year. Fourthly, MECs of the various provinces were required to publish the resource

targeting list, which would specify the schools in the no fee category, by 30 September (Department of Education, 2006:35).

After all these steps are followed, schools are in a position to finalise their planning and budgeting processes for implementation in the coming school year. But, since schools would have only received provisional allocations, the actual final school allocations would have to be approved in the provincial legislature. The fact that the financial cycle of schools runs from January to December, while that of government from April to March, forces provincial departments to make these final school allocations during the financial year of schools, instead of before as is the case for government departments.

This leads to a situation whereby the final school allocations are only communicated to schools during the two weeks after the presentation and adoption of the provincial education budget vote in the legislature. This state of affairs requires that provinces ensure that final school allocations are as close as possible to the provisional figures that would have been received by schools during September of the previous year (Department of Education, 2006:35).

The amended SFN policy also addresses the fundamental issue of monitoring and support by both national and provincial departments of education. Reporting on the usage of school allocations by national and provincial departments, as well as schools within the various annual reports, has now become a requirement. According to the amended norms, schools have to report on how the expenditure of the school allocation “supports the school development plan, quality education and learner performance” (Department of Education, 2006:35).

Provincial departments and the national Department of Education (DOE) are also required to report on “how the school allocation can further enhance education delivery, including school effectiveness and learner performance” (Department of Education, 2006:36). Education authorities are compelled to work with the Treasury to ensure that the “charts of account governing PED and school finances support the implementation of these norms” (Department of Education, 2006:36). To

further strengthen financial controls, provincial departments are obligated to ensure that schools receive adequate financial management directives in terms of their funding allocations and that there is overall compliance by all schools. Any non-compliance may result in the withdrawal of Section 21 functions.

3.5 THE PUBLIC FINANCE MANAGEMENT ACT

Within government and the broader public service, South Africa has a sound financial management and fiscal control regime, mainly emanating from the Public Finance Management Act (PFMA).

Its core focus is on securing a transparent, accountable and sound management system of revenue, expenditure, as well as assets and liabilities of government institutions (South Africa, 1999). One of its key consequences was the establishment of national and provincial treasuries, which had important functions to fulfil in terms of public finances and the enforcement of this Act. Provincial treasuries, for example, are required to perform a wide range of functions in respect of public finances in provinces. One such function is to enforce any prescribed national and provincial norms and standards in provincial departments. They are also expected to assist provincial departments in capacity building for “efficient, effective and transparent financial management” (South Africa, 1999:23).

Provincial Treasuries have powers in terms of this Act to investigate systems of financial management and internal control that departments implement. With this oversight role they are obligated to intervene in cases where departments are in serious or persistent material breach of the Act. Such intervention may include the withholding of funds to departments that consistently breach the Act (South Africa, 1999:24).

These treasuries, through their respective executing authorities, have to table in the legislature an annual budget with estimates of expected revenue as well as estimates of current expenditure for a particular financial year, amongst others.

They are also expected to present a multi-year budget projection at the same time and all of this must be approved by members of that legislature. The National Treasury normally tables the budget in February before the financial year commences and this is followed by provinces within two weeks after the National Budget (South Africa, 1999:30). An adjustments budget is also tabled by both national and provincial governments midway through the financial year (normally in October) to allow for shifting or re-allocation of funds.

The Act provides clear guidelines in terms of the efficient and effective use of financial resources and the prevention of unauthorised, irregular, fruitless and wasteful expenditure. It proposes the taking of effective and appropriate disciplinary steps against public servants in the various institutions of government who fail to ensure the sound management of public finances. The accounting officer, who normally heads a government institution, is bound by the Act to be “responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution” (South Africa, 1999:37).

Another key stipulation of the Act relates to the transfer of funds by departments. Section 38(j) makes it compulsory for any government department to establish appropriate capacity from the institution to which it wants to transfer funds. It requires that a department wishing to transfer any funds to other institutions or entities should obtain “a written assurance from the entity that the entity implements effective, efficient and transparent financial management and internal control systems...” (South Africa, 1999:38). This would include cases where the Department of Education transfers funds to, for example, public schools.

The PFMA proposes very serious steps to be taken against an accounting officer or other officials mismanaging public finances. Such individuals could be charged with financial misconduct and, apart from disciplinary proceedings that may arise, criminal charges may also be pursued (South Africa, 1999:65). In fact, the Act spells out the offences and penalties that may be imposed upon accounting officers found guilty of an offence. Should an accounting officer be convicted of gross negligence

leading to unauthorised or fruitless and wasteful expenditure, for example, he/she could be fined or jailed for up to five years (South Africa, 1999:66).

Lastly, the Act also makes provision for what is commonly known as unfunded mandates. In terms of Section 35, this is when national government, through draft legislation, assigns an additional function on a provincial government, which should happen via a memorandum that is introduced in parliament. This process requires that a projection is made of the financial implications of such a function on the province (South Africa, 1999:35).

3.6 TREASURY REGULATIONS

The financial regulatory framework also includes a set of regulations known as Treasury Regulations, which are reviewed and amended at regular intervals.

These regulations complement the Finance Act and provide detailed guidelines in respect of responsibilities, processes and procedures to be followed in dealing with public finances. For example, the regulations specify the management and control arrangements to be followed, the processes of planning and budgeting, as well as how to deal with revenue and expenditure management. There are also sections that deal with asset and liability management along with accounting and reporting measures.

As far as transfers and subsidies to institutions are concerned, the regulations stipulate strict requirements to be followed by an accounting officer of the transferring government department. Firstly, there should be appropriate measures that would ensure that these transfers and subsidies are used for their intended purposes. Secondly, there should be regular reporting procedures. A third requirement is that of internal and external audits, including the submission of audited financial statements. Fourthly, the transferring department should have regular monitoring procedures, which include scheduled and unscheduled inspections or reviews of performance (South Africa, 2005).

The regulations also provide for transfers and subsidies to be withheld from institutions that do not comply with conditions set for these transfers and subsidies. This could be in cases where the agreed objectives are not being met or where there is no value for the money spent at such institutions (South Africa, 2005). The transfers of funds to public schools and subsidies to independent schools are all regulated by these provisions in the Treasury Regulations.

3.7 THE INTERGOVERNMENTAL RELATIONS FRAMEWORK ACT

The fact that South Africa has three spheres of government (national, provincial and local) requires a mechanism to establish coordination and integration of policy. This is achieved through the Intergovernmental Relations (IGR) Framework Act (2005).

This Act came about as a result of a constitutional provision that there should be legislation to establish structures and institutions “to promote and facilitate intergovernmental relations” (Republic of South Africa, 1996). The Act aims to provide a framework for government at all levels to improve coordination in implementing policies and legislation. It includes issues of ensuring a coherent government, the effective provisioning of services, the monitoring of policy and legislative implementation, and the realisation of government’s national priorities (South Africa, 2005).

The aim of this Act is to ensure that government conducts its affairs in a coordinated manner with consultation among the various spheres of government and organs of state. It is also to avoid “unnecessary and wasteful duplication or jurisdictional contests” (South Africa, 2005:13). The Act establishes various structures, such as the President’s Co-ordinating Council, the Premier’s Intergovernmental Forum (PIGF), as well as district intergovernmental forums and inter-municipality forums.

These forums ensure that government policies and legislation are deliberated extensively at various levels and that implementation is coordinated and integrated.

3.8 THE DIVISION OF REVENUE ACT

Each year, during the tabling of the budget by the Finance Minister, legislation known as the Division of Revenue Act (DORA) is passed through parliament at the same time. This Act provides for the equitable division of revenue among the three spheres of government, as well as the determination of every province's equitable share from the provincial share of that revenue (Treasury, 2014).

The idea of the DORA is to ensure an open and transparent process in respect of resource allocation in the various spheres of government. It is also for the promotion of predictability and certainty in how these allocations are made to provinces and municipalities for purposes of multi-year planning and budgeting (Treasury, 2014:13). The principles of the DORA are also espoused in the Constitution, which requires a fair and equitable sharing of nationally raised revenue (Republic of South Africa, 1996).

The issue of accountability is also a strong feature of the DORA in that duties of officials who transfer or receive allocations are clearly defined and specified. These include the monitoring of financial as well as non-financial performance information, for example in the case of certain types of grant funding. Other duties are related to the submission of reports and the evaluation of the performance of certain programmes. The approval of the National Treasury must also be sought in certain cases in the administering of these allocations.

Compliance is thus an important element in the DORA processes. The result of non-compliance for officers in government could be to face charges of financial misconduct. The sanction for government entities that do not comply is the possible withholding or stopping of these allocations in terms of sections 18 and 19 of the Act. In such cases, these funds could even be re-allocated to other provinces or municipalities (Treasury, 2014:39). To further strengthen accountability in the management of public finances through the DORA, the duties and powers of municipalities, provincial treasuries, and the National Treasury are also clearly spelt out in this Act.

The DORA also contains various schedules, which indicate the actual allocations to be made in a particular financial year to the three spheres of government as well as each province and municipality's equitable share allocations.

3.9 CONCLUSION

This chapter gives a clear picture of how education, both in the country and in provinces, is provided as well as the policy directives to be followed to address past inequalities and the pursuit of a developmental path. It also explores the acts and regulations that give clear guidance on how public finances should be managed by government institutions, public managers and other government officials.

The legislative documents referred to in this chapter are relevant for this research to the extent that they create a legal basis for the provision and funding of education by the state, specifically in provinces. Their impact on the study is fundamental in the sense that one would understand the issues around education funding as well as the utilization of public finances to deliver on the education mandate within a broad legal framework. This includes issues around the basic rights of individuals to receive education as contained in the country's constitution as well as the regulatory and policy environment under which such rights are to be applied.

The following are some of the key inputs from the chapter, some of which will be further analysed in the study:

- The responsibility for the provision of education in a province is given to the MEC for Education by acts of law, which also guarantee funding for this government service through a provincial legislature process;
- The SFN has been in effect since 2000, with the aim of guiding the process of funding allocations to schools in order to ensure redress and improve equity, specifically targeting the poorest learners. The expectation was that those parents who are able to contribute to the school's fund should do so in order to

address the shortfall brought about by decreasing state funding for the more affluent schools. The ranking of schools into quintiles from most to least poor (quintiles 1-5) determines the funding allocations to schools. A provision for fee exemptions is also allowed for those parents who are unable to pay. The SFN required the appointment of highly skilled and specialised officials in the fields of finance, data analysis, accounting, statistics and planning;

- The amended SFN brought in more comprehensive measures in terms of which schools are now to be placed in national quintiles to address concerns around inter-provincial equity. The formula to be applied for funding allocations provides for the poorest group of learners to receive 30 per cent of the funding, while those in quintile five only receive 5 per cent. The amendments also allow for poor schools to become no-fee schools, which prohibits them from charging school fees on the understanding that government would fully fund these schools. A key requirement of the Amended SFN is the issue of monitoring and support by officials from both the national and provincial department;
- The PFMA has become an important government blueprint for sound fiscal management. It guides government institutions on financial management processes, which ensure efficiency, effectiveness and transparency. It has given the Treasury (both National and Provincial) the power to intervene in cases of non-compliance with provisions of the Act, including the withholding of funds or the institution of effective and appropriate disciplinary measures against public servants. Criminal charges against deviant officials are also provided for in the Act. One important requirement is that institutions (including schools) which receive funding from a government department, would have to provide a written undertaking that they are able to implement effective, efficient and transparent financial management and internal control systems;
- Treasury Regulations enhance the PFMA and further provide strict requirements in as far as transfer payments are concerned. It requires, for example, that institutions receiving transfers and subsidies should be audited internally and externally and that such audits should be submitted for scrutiny

by the transferring department. Regular monitoring procedures are also prescribed;

- The IGR Act is intended to improve coordination, integration and coherence in the various government spheres. It also provides for the monitoring of policies and legislation as well as government's national priorities;

There is also a strong compliance requirement with regard to the transfer of funds, which is provided for in the DORA.

In the following chapter an in-depth analysis of the NCED will be undertaken with regard to its budget allocation and the management of its finances, particularly in terms of the transfer payments it makes to schools. The main cost driver, namely personnel expenditure, as well as the expansion of the bureaucracy at this institution, will also be explored.

CHAPTER FOUR: FINANCING THE NCED

4.1 INTRODUCTION

This chapter will now turn to the actual financial situation of the NCED and how its budget has been increasing steadily over a period of time. The focus will also be on the expenditure of funds by the NCED and specifically on the transfer payments to schools. The study makes use of a range of tables, which should offer a visual picture of the financial state of the department.

It is first important to give some background to the NCED, which has its origin in the amalgamation of three formerly racially-based education departments. These were the Department of Education and Training (DET) for African learners, the House of Assembly (HoA) for white learners and the House of Representatives (HoR) for Coloured learners.

As far as the racial composition of schools in the province is concerned, an NCED survey conducted in 1997 reflects the percentage of race groups in the former education departments as follows: from the DET, traditionally African schools, were 96 per cent African, 0.6 per cent whites and 3 per cent coloureds (see Table 4.1 below); former HOA schools were 65 per cent whites, 10 per cent Africans and 25 per cent coloureds; traditionally coloured schools, also in 1997, were 95 per cent coloured learners, 5 per cent African learners, and 0.04 per cent white learners (NCED, 1998:16).

Table 4.1: Percentage per Race Group in the Former Education Departments

	EX-DET	EX-HOA	EX-HOR
African Swart	96%	10%	5%
White Blank	0.6%	65%	0.04%
Coloured Kleurling	3%	25%	95%
Source: 1997 Annual School Survey/Bron: Jaarlikse Skoolopgawe			

Source: NCED Statistical Overview, 1998 (1997 Annual School Survey).

4.2 INCREASING LEARNER ENROLLMENTS

The Northern Cape is geographically the largest province but it is also the most sparsely populated, which makes it unique. While it covers about 30 per cent of the country's land mass, its population is only about two per cent of South Africa's total population. In 1998, the Northern Cape schools' enrolment of the province stood at 208 877, which was 1.65 per cent of the national total (NCED, 1998:8). The number of schools in the province in the year 1997 stood at 528, which included public as well as independent schools (NCED, 1998:18).

A steady annual increase in learner numbers can also be observed due to the movement of learners from other provinces into the Northern Cape. A 1998 survey shows a total of 2 544 learners moving to schools in the province from outside, while only 1 378 left the province. This means that overall the Northern Cape gained 1 166 learners (NCED, 1998:10). At the time, the Northern Cape had four education districts, namely Kimberley, Upington, De Aar and Springbok (NCED, 1998:6).

By the year 2008, the picture in the Northern Cape had changed significantly. This was mainly due to the incorporation of the Kgalagadi region into the Northern Cape

from the North West as a result of the demarcation process in 2007. The NCED reflects that this was one of its biggest challenges, especially since virtually all the schools in the Kgalagadi District would fall into the poorest two quintiles, with the state of infrastructure at these schools presenting “its own unique challenges and (would) remain so for a while to come” (NCED, 2007:9). Apart from the newly established education office in Kgalagadi (Kuruman), the other regions had meanwhile adopted new names, namely Frances Baard (Kimberley), Siyanda (Upington), Pixley-ka-Seme (De Aar) and Namaqua (Springbok).

Table 4.2: Comparative Data of Learners in Public Ordinary and Independent Schools per District from 2000-2008

District	2000	2001	2002	2003	2004	2005	2006	2007	2008
Frances Baard	82145	80613	78764	77706	82512	82397	80263	87772	86627
Kgalagadi	0	0	0	0	0	0	54318	60143	61529
Namaqua	23770	23560	23515	23745	23766	24202	23601	23616	23399
Pixley-Ka-Seme	42005	40911	40301	40918	41691	42839	42477	43252	45158
Siyanda	56175	55446	55706	59088	61090	61844	62857	51130	50668
Provincial	204095	200530	198286	201457	210059	211282	*263516	265913	267381

*Includes Kgalagadi pre-border merge

Source: NCED Statistical Report (2008).

In the same year, the number of schools increased from 528 to 983, of which 602 were public schools (NCED, 2008:5). The learner numbers also increased from 208 877 in 1998 to 267 381 in 2008 (see Table 4.2 above), mainly due to the incorporation of the Kgalagadi District with its learner figures of 61 529, which is the second largest after the Frances Baard District with its learner population of 86 627 (NCED, 2008:11). The Kgalagadi District also had the most number of schools, namely 205 which was 33.1 per cent of the provincial total while Namaqua with 85 schools or 13.7 per cent had the smallest number in 2008 (NCED, 2008:6).

The most recent statistical data released by the NCED shows figures of learner enrolment in 2014 reaching the 285 494 mark (see Table 4.3 below), representing an increase of over 5 per cent. In fact, learner enrolment figures in the Northern Cape have increased dramatically since 2010 with the most growth being in the John Taolo Gaetsewe District (formerly known as the Kgalagadi District) with an increase in learner numbers from 52 297 in 2010 to 70 218 in 2014, representing a massive 31.6 per cent.

The Frances Baard District had the second largest growth in learner numbers, increasing from 86 237 learners in 2010 to 90 092 in 2013. What is important, however, is that there were 13 208 more learners in Northern Cape schools than there were in 2010. It would be interesting to see what impact this has had on the financial situation of the NCED.

Table 4.3: Number of Learners, Educators and Schools, Learner-to-Educator and Learner-to-School Ratio in the Ordinary and Independent School Sector, 2014

District	Sector	Learners			Educators			Schools			L:E Ratio	L:S Ratio
		Number	As % of district total	As % of provincial total	Number	As % of district total	As % of provincial total	Number	As % of district total	As % of provincial total		
Frances Baard	Private	2 002	2.20	0.70	134	4.42	1.47	8	6.35	1.38	14.94	250.25
	Public	89 036	97.80	31.19	2 898	95.58	31.72	118	93.65	20.42	30.72	754.54
	Total	91038		31.89	3 032	100.00	33.19	126	100.00	21.80	30.03	722.52
John Taolo Gaetsewe	Private	812	1.16	0.28	47	2.20	0.51	5	2.82	0.87	17.28	162.40
	Public	69 406	98.84	24.31	2 088	97.80	24.85	172	97.18	29.75	33.24	403.52
	Total	70 218		24.59	2 135	100.00	23.36	177	100.00	30.62	32.88	396.71
Namakwa	Private	339	1.49	0.12	34	4.35	0.37	6	7.69	1.04	9.97	56.50
	Public	22 443	98.51	7.86	747	95.65	8.18	72	92.30	12.46	30.04	311.71
	Total	22 782		7.98	781	100.00	8.55	78	100.00	13.49	29.17	292.08
Pixley-Ka-Seme	Private	266	0.58	0.09	23	1.61	0.25	4	4.08	0.69	11.57	66.50
	Public	45 242	99.42	15.85	1 408	98.39	15.41	94	95.92	16.26	32.13	481.30
	Total	45 508	100.00	15.94	1 431	100.00	15.66	98	100.00	16.95	31.80	464.37
Z.F Mgcawu (Siyanda)	Private	199	0.36	0.07	20	1.14	0.22	4	4.04	0.69	9.95	49.75
	Public	55 749	99.64	19.53	1 737	98.86	19.01	95	95.96	16.44	32.09	586.83
	Total	55 948		19.60	1 757	100.00	19.23	99	100.00	17.13	31.84	565.13
Provincial	Private	3 618	1.27	1.27	258	2.82	2.82	27	3.67	4.67	14.02	134
	Public	281 876	98.73	98.73	8 879	97.18	97.18	551	96.33	95.33	31.75	511.57
	Total	285 494			9137			578			31.25	493.93

Source: NCED Annual Report, 2013/14

This huge increase in learners would obviously have implications for development in the Northern Cape. The fact is that there would now be far more consumers of the public good of education than previously and this could place strain on the available resources of the department. For one, there would have to be additional educators appointed and classrooms built to ensure that learners are not denied their right to a basic education. This would require additional funding and a subsequent increase in the budget of the NCED.

Another factor impacting on development in the province is that the growth in learner enrolments stems mainly from the incorporation of the John Taole Gaetsewe district. This region posed a challenge to the Northern Cape government as it is relatively under-developed and almost all schools in this area would have to be ranked within the no-fee schools category. What this implies, in effect, is that other schools in the province, which would normally be classified as poor, would now be pushed up into less poor quintiles. The infrastructure of schools in this region also needs a lot of attention adding extra pressure on the NCED budget.

4.3 THE BUDGET ALLOCATION FOR EDUCATION

Over the years education has clearly been one of the key priorities for government. This is also evident in the Northern Cape's Budget Statement of 2003, which highlights education and health, amongst others, as priorities in the allocation of budgets.

As one of its first priorities, the 2003 Budget Statement emphasises that the Northern Cape government is committed to providing facilities at its institutions of learning and therefore would provide resources over the MTEF "to address backlogs in classrooms, toilets, specialist rooms and administration blocks" (Northern Cape Province, 2003:3). This is also reflected in the provincial equitable share formula, which gives education a weight of 41 per cent, followed by health and the social security component with 19 and 18 per cent shares respectively (Northern Cape Province, 2003:13).

The total provincial revenue of the Northern Cape in the 2000/01 financial year was R 2.66 billion, which included an equitable share from the national fiscus of R 2.29 billion as well as conditional grants amounting to almost R250 million. This means that the total budget allocation for the province from the national budget was R2.54 billion with the province's own contribution through own sourced revenue amounting to only R89 million (see Table 4.4 below). Thus, according to the provincial equitable share formula, education would be entitled to at least R1.09 billion (41 per cent). The budget allocation for education in the 2000/01 financial year amounted to R965 million (just short of a billion rand), and we see it steadily increasing over the MTEF to a projected R1.55 billion for the 2005/06 financial year (Northern Cape Province, 2003:77).

It is clear from the scenario depicted in the table below, and also further emphasised by the National Treasury (in its Provincial Budgets and Expenditure Review for the period 2005/06 to 2011/12) that "the provincial equitable share has consistently comprised the largest share of national transfers to province" (RSA, 2009:7). However, provinces also receive transfers from the national government proportionally in the form of conditional grants. According to the National Treasury, there are three main types of provincial conditional grants. They can be either Schedule 4 grants, in which case they supplement programmes funded partly by provinces; Schedule 5 grants, which are allocated to provinces for a specific purpose; or Schedule 8 grants, which is an incentive grant introduced in the 2009/10 financial year to encourage provinces (and municipalities) to "meet or exceed prescribed targets" (RSA, 2009:8).

Table 4.4: Summary of Provincial Revenue

	2000/01 Actual	2001/02 Actual	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF	2005/06 MTEF
National Payments						
Equitable share	2 290 440	2 559 623	3 000 498	3 455 244	3 768 943	4 066 049
Conditional grants	249 988	246 355	269 588	385 781	464 403	537 215
Total National Payments	2 540 428	2 805 978	3 270 086	3 841 025	4 233 346	4 603 264
Provincial own Revenue						
Tax revenue	50 182	46 149	60 215	62 396	63 764	69 097
Casino taxes	2 430	2 316	6 305	6 562	6 537	7 465
Motor vehicle licences	47 519	43 614	53 680	54 861	56 229	60 597
Horseracing	9	7	8	225	229	235
Other taxes (Bookmakers)	144	136	141	480	489	400
Totalisator	80	76	81	268	280	400
Non Tax Revenue	38 849	33 848	26 972	30 604	29 236	26 684
Interest	10 205	2 500	2 600	2 700	2 800	2 968
Health patient fees	7 208	8 781	9 484	14 500	15 700	16 340
Reimbursements	–	–	–	–	–	–
Other sales	–	–	–	–	–	–
Other Revenue	21 436	22 567	14 888	13 404	10 736	7 376
Capital Revenue	–	26 626	–	–	–	–
Sales of land and buildings	–	26 626	–	–	–	–
Sales of stock, livestock, etc.	–	–	–	–	–	–
Other Capital Revenue	–	–	–	–	–	–
Total Own sourced revenue	89 031	106 623	87 187	93 000	93 000	95 781
Financing	30 941	78 464	107 623	–	–	–
Total provincial revenue	2 660 400	2 991 065	3 464 896	3 934 025	4 326 346	4 699 045

Source: Northern Cape Budget Statements (2003)

In the education sector, the national government makes provision for the following conditional grants to provinces: education disaster management grant, FET college sector recapitalisation grant, National School Nutrition Programme (NSNP) grant, HIV and AIDS (life skills education) grant, and the technical secondary schools recapitalisation grant. These grants continue to grow exponentially, with the combined education conditional grants increasing from R2.9 billion in 2008/09 to a projected R4.9 billion in 2011/12 (RSA, 2009:9).

The Northern Cape, because of its small population size, receives the smallest budget allocation from national government. Its overall receipts in the 2005/06 financial year amounted to R3.8 billion, with the Free State and Mpumalanga receiving the next biggest portions at amounts of R10.6 billion and R11.3 billion respectively. The high-end earners in terms of provincial government revenue are the Eastern Cape, Gauteng and KwaZulu Natal with receipts of R25.4 billion, R26.9

billion and R33 billion respectively (RSA, 2009:147). The allocation to the Northern Cape, as is the case with other provinces, has been rising steadily, from R3.8 billion in 2005/06 to R6 billion in 2007/08 with an MTEF projection of R9.7 billion in 2011/12 (probably due to the incorporation of the Kgalagadi region from North West Province).

The revenue for the NCED has also shown relative growth over the years. From a projected MTEF amount of R1.55 billion for the 2005/06 year, the actual adjusted estimate was calculated at R1.56 billion (Northern Cape Province, 2006:106). This appropriation to education was projected to grow to R1.9 billion in 2008/09. The new provincial equitable share formula also favoured Education, increasing from 41 per cent (previously) to 51 per cent in the 2006 Budget Statement (NC Province, 2006:20). By the year 2009/10 the budget allocation to education had escalated to R2.97 billion, which represents 37.5 per cent of the total provincial allocation (Northern Cape Province, 2009:22).

For the 2013/14 financial year, the overall revenue for the Northern Cape increased to R12.54 billion, with the outer years of the MTEF growing to R13.13 billion and R14.16 billion respectively (Northern Cape Province, 2013:11). The budget allocation appropriated for education in the same year was R4.44 billion, estimated to grow to R4.7 and R5.1 billion respectively in the outer years of the MTEF (Northern Cape Province, 2013:108). The NCED receives funding from two sources, namely the equitable share and conditional grants (see Table 4.5 below). The education infrastructure grant and the NSNP grants are the biggest grants with a combined total of R436 million, which makes up almost 86 per cent of the conditional grants for education (Northern Cape Province, 2013:108).

Table 4.5: Summary of Receipts: Department of Education

	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited						
R thousand	2009/10	2010/11	2011/12	2012/13			2013/14	2014/15	2015/16
Treasury Funding									
Equitable share	2 955 483	3 162 216	3 602 760	3 674 991	3 768 510	3 794 218	3 939 014	4 143 381	4 397 494
Conditional grants	147 320	256 518	475 010	518 814	520 732	517 814	509 059	558 629	715 339
Dinaledi Schools Grant			2 380	3 391	3 391	3 391	3 577	3 782	3 956
EPWP Incentive Grant for Provinces				1 000	1 000		5 845		
EPWP Social Sector Incentive Grant for Provinces							3 932		
Education Infrastructure Grant	87 802	112 911	290 426	307 609	307 609	307 609	316 934	358 035	502 966
HIV and Aids (Life Skills Education) Grant	3 828	4 084	4 182	4 579	4 754	4 579	5 205	5 059	5 281
National School Nutrition Programme Grant	55 690	84 537	105 112	113 136	113 136	113 136	119 859	134 645	142 724
Technical Secondary Schools Recapitalisation Grant		2 689	7 663	12 500	12 500	12 500	13 188	13 978	14 663
Further Education and Training College Sector Grant		52 297	65 247	76 599	78 342	76 599	40 519	43 130	45 749
Total receipts	3 102 803	3 418 734	4 077 770	4 193 805	4 289 242	4 312 032	4 448 073	4 702 010	5 112 833

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2013:108)

The NCED receives by far the highest allocation in the appropriations done by the Provincial Treasury. In the 2013/14 financial year, for example, this department received R4.44 billion, followed by the Department of Health with R3.34 billion. If one considers that the total provincial budget was R12.54 billion at that time, it means that these two departments together received 62 per cent of the total provincial allocation. The only other government department that received more than a billion rand is that of Roads and Public Works, which in 2013/14 was allocated R1.146 billion. The rest of the eight other provincial departments received less than a billion rand, with the Department of Environment and Nature Conservation being allocated the least at an amount of R104 million (Northern Cape Province, 2013).

During the adjustments appropriation process in October each year, education also seems to benefit. In October 2012, for example, the budget of the NCED was adjusted upwards by R95.437 million (see Table 4.6 below) to bring the total allocation for education in the 2012/13 financial year to R4.292 billion (Provincial Treasury, 2012:41).

Table 4.6: Adjustment Budget Summary

2012/13			
R thousand	Main appropriation	Adjusted appropriation	(Decrease) / Increase
Amount to be appropriated of which	4 197 323	4 292 760	95 437
Current payments	3 513 033	3 553 629	40 596
Transfers and subsidies	403 978	428 978	25 000
Payments for capital assets	280 312	310 153	29 841
Payments for financial assets	-	-	-
Direct Charge against the Provincial Fund			

Source: NC Province – Adjusted Estimates of Provincial Revenue and Expenditure (2012:41)

4.4 EXPENDITURE FOR EDUCATION

It is a national phenomenon that spending on the programme of public ordinary schools tends to dominate education expenditure in provinces, since this is the area where much of the education delivery processes take place (RSA, 2009:29). The National Treasury indicated in 2009 that public ordinary school education constituted 82.6 per cent of the total education expenditure and that this programme was expected to grow by 9.5 per cent over the medium term. This growth in expenditure was found to be underpinned by “the planned expansion of no-fee schools to include quintile three schools in 2009/10, increased investment in ECD, the OSD for educators and accelerated investment in school infrastructure” (RSA, 2009:30).

Within government departments, expenditure is done in terms of an economic classification. These are current payments (which include compensation of employees and goods and services), transfers and subsidies, as well as payments for capital assets. Since education is a personnel intensive sector, the biggest slice of this department’s budget is usually spent on compensation of employees (RSA, 2009:35). This compensation includes educators at schools as well as officials who are based at departmental offices. According to National Treasury, there was an increase of 13 per cent in expenditure on compensation of employees for the period 2005/06 to 2008/09 as a result of additional allocations linked to the

occupation specific dispensation (OSD) for educators, which was implemented in 2008. This OSD was meant to improve the remuneration of educators, on the one hand, and to offer additional career paths for educators, on the other. Another reason for the growth in expenditure on compensation of employees was that it was based on a plan to provide additional educators to quintile one schools in order to reduce class sizes in the poorest schools (RSA, 2009:36).

The goods and services part of current payments also take up a huge amount of education expenditure. This is mainly due to the fact that the provision of resources to schools is also covered in the goods and services expenditure item. The National Treasury indicated a projected 19.8 per cent growth over the 2009/10 MTEF period under goods and services for provinces nationally (RSA, 2009:36). They also mention the redistributive nature of expenditure on goods and services. The allocations to schools through the SFN, for example, clearly demonstrate the redistribution phenomenon in favour of poorer schools. The supply of learning and teaching support materials (LTSM), which includes text books, also comprises expenditure on goods and services. National Treasury emphasises the fact that, while budgets are available for spending on goods and services, there are inefficiencies in the delivery of LTSM, which need to be addressed (RSA, 2009:36).

The other two expenditure items, transfers and subsidies, and payments for capital assets, also largely relate to schools. According to National Treasury, growth in transfers and subsidies is linked to the increase in the number of public schools that receive Section 21 status. For schools that are granted section 21 status, the provincial department transfers funding to these schools, which allows them to procure their own goods and services. The funds of non-section 21 schools are managed by the provincial department for the procurement of goods and services at a central point on behalf of these schools. In the education sector, the elimination of infrastructure backlogs is an important priority. The payment for capital assets is mainly related to the school infrastructure programme, which, according to the National Treasury, was an item that was projected to grow by 21.8 per cent during the 2009/10 MTEF (RSA, 2009:37).

In the NCED, as is the case nationally, payments are done per programme (see Table 4.7 below). There are usually nine programmes of which the biggest one in terms of expenditure is programme two, namely public ordinary school education.

As the name suggests, this is the programme against which expenditure related to public schools is affected. The NCED adopted a new budget and programme structure during the 2013/14 MTEF, which reflected the nine programmes instead of only eight that used to exist previously. The new additional programme is programme eight, or infrastructure development, adopted in line with the national department to account separately “for the priority infrastructure programmes as identified by government” (Northern Cape Province, 2013:110).

Table 4.7: Summary of Payments and Estimates (Per Programme): Department of Education

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2013/14	2014/15	2015/16
	2009/10	2010/11	2011/12						
					2012/13				
Administration	308 037	357 650	441 503	414 454	453 975	473 034	448 849	482 765	512 208
Public Ordinary School Education	2 395 495	2 633 819	2 952 711	3 083 190	3 093 647	3 110 961	3 275 861	3 458 405	3 652 559
Independent Schools Education	6 715	7 203	7 797	8 654	8 654	8 902	9 043	9 496	9 933
Public Special Schools Education	70 196	78 434	83 080	83 998	85 998	85 345	97 299	101 055	106 001
Further Education And Training	50 643	52 297	65 247	76 599	78 342	78 342	40 519	43 130	45 749
Adult Basic Education And Training	38 613	38 339	38 773	40 502	37 302	32 238	36 720	38 395	35 331
Early Childhood Development	53 933	45 484	56 330	67 715	76 715	68 513	86 064	89 510	115 525
Infrastructure Development	101 278	117 670	318 151	325 243	342 484	331 457	339 753	379 452	526 000
Auxiliary And Associated Services	77 893	87 838	114 178	93 450	112 125	123 240	113 965	99 802	109 527
Total payments and estimates	3 102 803	3 418 734	4 077 770	4 193 805	4 289 242	4 312 032	4 448 073	4 702 010	5 112 833

Source: NC Province – Estimates Of Provincial Revenue and Expenditure (2013:110).

The Northern Cape provincial payments have shown steady increases, with the annual average over the 2014 MTEF at 2.3 per cent. If one compares expenditure by the various provincial departments over the last three years, it is clear that education is by far the biggest spender, followed by health. The expenditure outcomes show an increase for education from R3.418 billion (see Table 4.8 below) for the year 2010/11, to R4.233 billion in the 2012/13 financial year (Northern Cape Province, 2014:17).

Table 4.8: Summary of Provincial Payments and Estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2010/11	2011/12	2012/13	2013/14			2014/15	2015/16	2016/17
Vote 01: Office of the Premier	152 408	152 079	151 787	167 828	187 172	187 172	173 394	180 881	190 795
Vote 02: Provincial Legislature	115 805	126 521	136 825	138 785	142 287	142 287	156 483	156 811	165 359
Vote 03: Transport, Safety and Liaison	242 339	257 285	282 063	299 255	314 730	314 730	328 902	340 006	358 452
Vote 04: Education	3 418 734	4 077 770	4 233 621	4 448 073	4 527 959	4 575 151	4 744 333	5 042 790	4 942 549
Vote 05: Roads and Public Works	720 018	1 055 695	1 016 536	1 146 915	1 113 779	1 261 498	1 152 494	1 217 276	1 282 639
Vote 06: Economic Development	214 205	206 956	223 288	223 028	267 134	267 346	235 601	241 011	254 132
Vote 07: Sport, Arts and Culture	200 458	268 610	221 908	235 837	269 214	270 320	290 801	330 677	351 104
Vote 08: Provincial Treasury	115 849	117 844	151 597	195 660	224 444	200 857	202 393	205 464	211 667
Vote 09: Co-Operative Governance, Human Settlement and Traditional Affairs	697 702	589 541	581 941	652 413	655 501	665 861	648 810	658 805	714 835
Vote 10: Health	2 540 138	3 005 742	3 165 498	3 341 990	3 476 988	3 557 211	3 696 293	3 941 936	3 718 834
Vote 11: Social Development	478 233	522 687	531 722	603 823	607 507	607 507	651 206	705 859	739 084
Vote 12: Agriculture, Land Reform and Rural Development	311 362	369 638	436 462	690 023	992 754	806 952	715 690	746 084	801 480
Vote 13: Environment and Nature Conservation	90 390	98 543	102 739	104 683	117 644	117 644	126 300	129 682	136 791
Total provincial payments and estimates by Vote	9 297 641	10 848 911	11 235 987	12 248 313	12 897 113	12 974 536	13 122 700	13 897 282	13 867 721

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2014:17).

Payments over the last three financial years in education have largely been in programme two, as explained earlier. From an expenditure outcome of R 2.633 billion in 2010/11 there has been increased spending to R2.952 billion and R3.094 billion in 2011/12 and 2012/13 respectively (see Table 4.9 below). According to the Northern Cape Provincial Treasury, the Public Ordinary School Education Programme represents 73 per cent of the total education budget for the 2014/15 financial year, which includes funding for the National School Nutrition Programme, Recapitalization for Technical Schools as well as Dinaledi Schools grants. Also included in this programme is funding for wage and OSD agreements as per bargaining council resolution (Northern Cape Province, 2014:122).

Table 4.9: Summary of Payments and Estimates by Programme: Education

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2010/11	2011/12	2012/13	2013/14			2014/15	2015/16	2016/17
1. Administration	357 650	441 503	475 402	448 849	491 162	524 934	538 522	573 032	661 054
2. Public Ordinary School Education	2 633 819	2 952 711	3 094 431	3 275 861	3 289 629	3 304 531	3 479 482	3 690 041	3 831 738
3. Independent Schools Education	7 203	7 797	8 901	9 043	9 043	7 947	9 495	9 932	10 458
4. Public Special Schools Education	78 434	83 080	83 776	97 299	90 299	88 932	84 055	89 001	91 718
5. Further Education And Training	52 297	65 247	78 342	40 519	40 710	40 710	43 652	46 758	49 336
6. Adult Basic Education And Training	38 339	38 773	29 152	36 720	33 920	29 340	31 482	32 418	35 223
7. Early Childhood Development	45 484	56 330	72 184	86 064	82 064	78 547	84 402	110 421	116 273
8. Infrastructure Development	117 670	318 151	257 299	339 753	372 367	371 577	354 898	368 385	10 534
9. Auxiliary And Associated Services	87 838	114 178	134 134	113 965	118 765	128 633	118 344	122 802	136 214
Total payments and estimates	3 418 734	4 077 770	4 233 621	4 448 073	4 527 959	4 575 151	4 744 333	5 042 790	4 942 549

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2014:122).

The Public Ordinary School Education programme is further divided into five sub-programmes (see Table 4.10 below), namely the Public Primary Phase, Public Secondary Phase, Human Resource Development (mainly for educators), school sport, culture and media services as well as conditional grants for specific projects under programme 2. Expenditure in this programme is mainly dominated by the Public Primary phase, followed by the Public Secondary Phase. Expenditure outcomes for 2012/13 indicate that these two sub-programmes spent R1.979 billion and R954 million respectively. The medium-term estimates show projected expenditure figures for these two sub-programmes standing at R2.258 billion and R1.359 billion in the 2016/17 financial year (Northern Cape Province, 2014:127).

Table 4.10: Summary of Payments and Estimates by Sub-Programme: Public Ordinary School Education

R thousand	Outcome			Main appropriation	Adjusted appropriation 2013/14	Revised estimate	Medium-term estimates		
	2010/11	2011/12	2012/13				2014/15	2015/16	2016/17
1. Public Primary Phase	1 678 871	1 869 659	1 979 195	2 016 382	2 030 150	1 938 911	2 158 594	2 214 982	2 258 204
2. Public Secondary Phase	841 695	934 367	954 053	1 091 511	1 094 511	1 206 350	1 128 472	1 272 180	1 359 902
3. Human Resource Development	17 342	17 747	14 970	17 736	14 736	11 376	19 600	20 457	21 541
4. School Sport, Culture And Media Services	8 685	15 783	17 543	13 608	13 608	11 270	20 411	21 079	22 196
5. Conditional Grants	87 226	115 155	128 670	136 624	136 624	136 624	152 405	161 343	169 895
Total payments and estimates	2 633 819	2 952 711	3 094 431	3 275 861	3 289 629	3 304 531	3 479 482	3 690 041	3 831 738

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2013:127).

An analysis of expenditure in this programme (Public Ordinary School Education) in terms of economic classification (see Table 4.11 below) reflects the bulk of the spending on compensation of employees with figures over the last three financial years reading R2.302 billion (2010/11), R 2.493 billion (2011/12) and R 2.657 billion (2012/13) with estimated increases to R 3.307 for the 2016/17 financial year. Expenditure for transfers and subsidies ranged from R256 million in 2010/11 to R312 million in the 2012/13 financial year, of which the biggest portion of this spending was on non-profit institutions (i.e. schools) comprising about 88 per cent. The payments for capital assets category has the least expenditure, with most of the spending going towards machinery and equipment (Northern Cape Province, 2014:127).

Table 4.11: Summary of Payments and Estimates by Economic Classification: Public Ordinary School Education

R thousand	Outcome			Main appropriation	Adjusted appropriation 2013/14	Revised estimate	Medium-term estimates		
	2010/11	2011/12	2012/13				2014/15	2015/16	2016/17
Current payments	2 354 794	2 672 325	2 778 112	2 976 399	2 990 167	2 993 238	3 140 659	3 301 676	3 401 678
Compensation of employees	2 302 299	2 493 649	2 657 160	2 867 772	2 881 540	2 872 015	3 056 332	3 209 797	3 307 351
Goods and services	51 706	177 063	120 046	107 694	107 694	120 412	83 347	90 851	93 244
Interest and rent on land	789	1 613	906	933	933	811	980	1 028	1 082
Transfers and subsidies to:	256 132	275 044	312 156	299 450	299 450	311 173	338 711	388 253	429 942
Provinces and municipalities	92	1	–	–	–	–	–	–	–
Departmental agencies and accounts	–	–	3	–	–	1	–	–	–
Higher education institutions	–	–	–	–	–	–	–	–	–
Foreign governments and international organisations	–	–	–	–	–	–	–	–	–
Public corporations and private enterprises	–	–	–	–	–	–	–	–	–
Non-profit institutions	220 544	240 949	274 462	273 546	273 546	273 546	311 511	359 802	399 984
Households	35 496	34 094	37 691	25 904	25 904	37 626	27 200	28 451	29 959
Payments for capital assets	2 501	5 336	2 722	12	12	120	112	112	118
Buildings and other fixed structures	10	5	2	–	–	–	–	–	–
Machinery and equipment	2 491	5 331	2 720	12	12	120	112	112	118
Heritage Assets	–	–	–	–	–	–	–	–	–
Specialised military assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Land and sub-soil assets	–	–	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–	–	–
Payments for financial assets	20 392	6	1 441	–	–	–	–	–	–
Total economic classification	2 633 819	2 952 711	3 094 431	3 275 861	3 289 629	3 304 531	3 479 482	3 690 041	3 831 738

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2014:127).

There is currently also an additional economic classification, namely payments for financial assets which, according to Provincial Treasury officials, refers to payments made to write off debts to the NCED or in cases of thefts or losses. An amount of R20.392 million was spent on this item during the 2010/11 financial year to write off debt that the Department was unable to collect over a number of years from services at the end of that financial year.

The Provincial Treasury also highlights a range of performance measures with estimated annual targets to be reached over the MTEF in programme two (see Table 4.12 below). Some of these performance measures include the number of learners enrolled in public schools, the number benefitting from the No Fee Schools Policy as well as the number of learners benefitting from the NSNP. The estimated targets over the MTEF paint an interesting picture. From an estimated total of 262 958 learners in the 2014/15 financial year, there are less than 10 000 in the Northern Cape who do not benefit from the NSNP, while only 83 226 do not benefit from the No Fee Schools Policy (Northern Cape Province, 2014:128). This means that there are less than a third of the learners in the Northern Cape whose parents are required to pay school fees.

Table 4.12: Programme Performance Measure

Programme Performance Measures	Estimated Annual Targets		
	2014/15	2015/16	2016/17
Programme 2: Public Ordinary School Education			
Number of learners enrolled in public ordinary schools	262 958	263 000	264 000
Number of educators employed in public ordinary schools	8 397	8 400	8 450
Number of non-educator staff employed in public ordinary schools	2 185	2 190	2 200
Number of learners in public ordinary schools benefiting from the "No Fee School" policy	179 732	179 750	180 000
Number of learners benefiting from national school nutrition programme (NSNP)	252 993	255 000	256 000
Number of learners eligible to benefit from scholar transport	23 424	23 424	23 424
Number of learners with special education needs that are enrolled in public ordinary schools	3 000	3 500	4 000
Number of full service schools providing support to learners with learning barriers	5	4	12

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2014:128).

One other noteworthy expenditure item in the education budget is for infrastructure development (Programme 8). Expenditure outcomes under this programme show amounts spent on infrastructure development over the last three years, i.e. 2010/11 to 2012/13 as R117 million, R318 million and R257 million respectively (Northern Cape Province, 2014:134).

A list of all schools in the province that benefitted from spending on infrastructure development, with the amounts spent per school, is also published annually by Provincial Treasury (Northern Cape Province, 2014:157-179).

4.5 TRANSFER PAYMENTS TO SCHOOLS

As previously mentioned a public school that has been granted Section 21 status has to demonstrate a capacity to manage its funds effectively and efficiently. Thus, each school with Section 21 functions has a certain amount of money allocated to it

from funds transferred directly into its account by the Provincial Education Department.

Transfers to public schools are made from funds provided for in programme 2, Public Ordinary Schools, within the economic classification, Transfers and subsidies. The funding for these transfers to public schools is reflected against the item, non-profit institutions. It is also important to note that funding to special schools, independent schools and ECD centres (providing for Grade R) is budgeted for in other programmes, namely programmes 3, 4 and 7. So while these transfers and subsidies are done per programme, Provincial Treasury also provides a summary of all transfers from the NCED to other entities (see Table 4.13 below). In this illustration, it is clear that most funding is transferred to public primary schools followed by the NSNP conditional grant. In the 2012/13 financial year the NCED transferred R104 million to primary schools in line with the SFN policy and R47 million to secondary schools, while over R121 million was transferred to both primary and secondary schools for the Food Nutrition Programme (Northern Cape Province, 2014:124).

Table 4.13: Summary of Departmental Transfers to Other Entities

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2010/11	2011/12	2012/13		2013/14		2014/15	2015/16	2016/17
Public Primary Phase - School Norms Funding	96 905	96 405	104 777	110 030	–	90 000	116 767	144 112	148 591
Public Primary Phase - Household - Hostel Funding	14 803	15 542	19 936	14 673	–	4 000	15 407	16 116	16 970
Public Secondary Phase - School Norms Funding	43 471	38 384	47 324	47 054	–	61 895	49 000	62 778	66 105
Public Secondary Phase - Household - Hostel Funding	20 693	18 542	17 555	11 231	–	16 659	11 793	12 335	12 988
Food Nutrition - Conditional Grant	79 931	106 061	121 637	116 462	–	121 522	132 744	141 682	149 191
Food Nutrition - Equitable Share	26 991	13 782	12 932	10 395	–	19 641	6 415	6 710	7 066
Special Schools - School Norms Funding	6 789	5 554	6 125	7 800	–	7 676	8 112	8 518	8 969
Special Schools - Hostel Funding	2 381	2 447	2 432	2 600	–	5 460	2 704	2 839	2 989
Early Childhood Development - School Norms Funding	21 965	29 377	40 650	47 184	–	2 519	3 073	27 068	28 503
ABET - Hosting School Funding	–	65	171	–	–	–	–	–	–
FET - Colleges Funding	23 914	34 542	46 620	–	–	–	–	–	–
Total departmental transfers	337 843	360 701	420 159	367 429	–	329 372	346 015	422 158	441 372

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2014:124).

Apart from funding for the NSNP budgeted for in the conditional grant, the NCED also makes provision for the Food Nutrition Programme from its own equitable share. According to officials interviewed on this matter, this is to ensure that learners beyond those provided for in the policy, namely quintiles one to three also

benefit from a healthy meal. This is an initiative of the department to ensure that all deserving learners benefit from the scheme. In the 2012/13 financial year, for example, the NCED spent R12.932 million from its equitable share for food nutrition but the 2013/14 figures for this same item shows that the amount had to be revised steeply upwards to cater for increased numbers of learners who, according to the department, needed a meal.

The No Fee Schools Policy had a major impact on the NCED's budget as it relates to transfers of funds to public schools. In the 2009 Budget Statement, Provincial Treasury emphasised that the NCED would continue to see its pro-poor funding principle finding expression through the implementation of the No Fee Schools Policy. Thus, the number of no-fee schools would be increased to 389, resulting in a total of 64 per cent of schools being declared no-fee schools in the 2009/10 financial year.

Table 4.14: Summary of Provincial Payments and Estimates by Economic Classification: Department of Education

R thousand	Outcome			Main appropriation	Adjusted appropriation 2010/11	Revised estimate	Medium-term estimates		
	2007/08	2008/09	2009/10				2011/12	2012/13	2013/14
Current payments	2 030 716	2 513 110	2 768 367	3 035 987	3 082 325	3 047 328	3 503 810	3 692 561	3 889 460
Compensation of employees	1 795 910	2 226 903	2 493 966	2 674 086	2 719 157	2 764 426	2 992 810	3 150 546	3 321 563
Goods and services	234 174	285 893	272 082	361 113	362 380	282 126	510 151	541 127	566 969
Interest and rent on land	632	314	2 319	788	788	776	849	888	928
Transfers and subsidies to:	193 998	277 875	312 497	352 049	350 872	349 460	382 177	409 079	442 124
Provinces and municipalities	145	86	98	8	8	102	–	–	–
Departmental agencies and accounts	1 787	4 695	2 733	3 183	3 183	3 182	3 505	3 818	4 023
Higher education institutions	11 349	9 414	16 450	4 698	4 698	369	1 316	1 375	1 437
Foreign governments and international organisations	–	5	–	–	–	–	–	–	–
Public corporations and private enterprises	1	59	106	79	79	–	79	83	86
Non-profit institutions	160 931	252 733	268 678	319 681	318 504	318 979	350 132	375 439	406 938
Households	19 785	10 883	24 432	24 400	24 400	26 828	27 145	28 364	29 640
Payments for capital assets	59 196	61 565	102 710	69 753	76 212	112 621	176 162	193 252	203 858
Buildings and other fixed structures	49 596	53 300	95 050	66 470	71 752	106 595	173 495	190 470	200 945
Machinery and equipment	8 128	8 265	7 660	2 993	4 170	6 026	2 667	2 782	2 913
Heritage Assets	–	–	–	–	–	–	–	–	–
Specialised military assets	–	–	–	–	–	–	–	–	–
Biological assets	8	–	–	–	–	–	–	–	–
Land and sub-soil assets	89	–	–	–	–	–	–	–	–
Software and other intangible assets	1 375	–	–	290	290	–	–	–	–
Payments for financial assets	3 607	–	–	–	–	–	–	–	–
Total economic classification	2 287 517	2 852 550	3 183 574	3 457 789	3 509 409	3 509 409	4 062 149	4 294 892	4 535 442

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2011:106).

The impact of this sharp increase in the number of no-fee schools during this period can also be observed in the expenditure outcomes of the NCED in relation to

transfers to schools. In the department's Summary of Economic Classification (see Table 4.14 above) under transfers and subsidies to non-profit institutions, one can clearly see the effects of the growth in no-fee schools. Up until the 2007/08 financial year, the expenditure for this item had been less than R160 million. It increased to R252 million in 2008/09 and further to R268 million in 2009/10. In the 2010/11 financial year and throughout the MTEF, the budget for transfers to schools was expected to grow beyond R300 million to reach R406 million by the 2013/14 financial year (Northern Cape Province, 2011:106).

In 2010, the NCED's drive to expand the scope of public schools to be included in the no-fee schools list continued. The department reported that a total of 68 per cent of learners, i.e. all learners in quintile 1-3 schools, would benefit from the No Fee Schools Policy during the 2010/11 financial year. According to their report, this would constitute an amount of 455 out of 600 schools, which means that 76 per cent of schools in the Northern Cape would charge no school fees at that time (Northern Cape Province, 2010:110). Again, the impact of this decision to increase the number of no-fee schools can be seen in the expenditure levels of the department as far as transfers and subsidies to public schools is concerned. In the 2011/12 and 2012/13 financial years, the NCED spent R240 million and R274 million respectively. While it was estimated to spend R273 million in the 2013/14 financial year, these amounts are projected to grow to R359 million in 2015/16 and R399 million in 2016/17 (Northern Cape Province, 2014:127).

Table 4.15: Summary of Provincial Payments and Estimates by Economic Classification: Independent Schools Education

R thousand	Outcome			Main appropriation	Adjusted appropriation 2013/14	Revised estimate	Medium-term estimates		
	2010/11	2011/12	2012/13				2014/15	2015/16	2016/17
Current payments	-	-	-	-	-	32	-	-	-
Compensation of employees	-	-	-	-	-	-	-	-	-
Goods and services	-	-	-	-	-	32	-	-	-
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	7 203	7 797	8 901	9 043	9 043	7 915	9 495	9 932	10 458
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	7 203	7 797	8 901	9 043	9 043	7 704	9 495	9 932	10 458
Households	-	-	-	-	-	211	-	-	-
Payments for capital assets	-	-	-	-	-	-	-	-	-
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total economic classification	7 203	7 797	8 901	9 043	9 043	7 947	9 495	9 932	10 458

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2014:129).

As indicated earlier, transfers and subsidies are also paid to independent schools, special schools and ECD centres. The funding of independent schools is provided for in programme 3. This programme, Independent Schools Education, aims to support these private schools in line with provisions of the South African Schools Act. There are two sub-programmes in this category, namely Independent Primary phase for grades 1 to 7, as well as the Independent Secondary phase in support of grades 8 to 12. Subsidies are paid to schools against the line item non-profit institutions (see Table 4.15 above) under transfers and subsidies.

These subsidies to the various independent schools in the province have shown a steady increase over the years, with figures of R7.2 million in 2010/11 to R8.9 million in 2012/13. These figures were projected to grow over the MTEF, to R9.9 million in 2015/16 and R10.4 million in 2016/17. In fact, the 2014 Budget Statement reveals that this programme experienced a budget growth of 46.4 per cent over the seven year period (Northern Cape Province, 2014:129). While statistics show that the Northern Cape has around 20 independent schools (RSA, 2011:17), only five independent schools have been receiving a subsidy from the NCED in terms of the provincial gazette for allocations to schools.

Table 4.16: Summary of Payments and Estimates by Economic Classification: Public Special Schools Education

R thousand	Outcome			Main appropriation	Adjusted appropriation 2013/14	Revised estimate	Medium-term estimates		
	2010/11	2011/12	2012/13				2014/15	2015/16	2016/17
Current payments	69 224	75 020	75 052	85 806	78 806	76 614	72 102	76 451	78 503
Compensation of employees	68 365	73 610	74 542	83 661	76 661	73 965	69 808	73 898	75 815
Goods and services	859	1 410	510	2 145	2 145	2 649	2 294	2 553	2 688
Interest and rent on land	–	–	–	–	–	–	–	–	–
Transfers and subsidies to:	9 170	8 001	8 557	10 400	10 400	11 225	10 816	11 357	11 959
Provinces and municipalities	–	–	–	–	–	–	–	–	–
Departmental agencies and accounts	–	–	–	–	–	–	–	–	–
Higher education institutions	–	–	–	–	–	–	–	–	–
Foreign governments and international organisations	–	–	–	–	–	–	–	–	–
Public corporations and private enterprises	–	–	–	–	–	–	–	–	–
Non-profit institutions	6 789	5 554	6 125	7 800	7 800	6 602	8 112	8 518	8 969
Households	2 381	2 447	2 432	2 600	2 600	4 623	2 704	2 839	2 989
Payments for capital assets	40	59	167	1 093	1 093	1 093	1 137	1 193	1 256
Buildings and other fixed structures	40	–	–	1 093	–	1 093	1 137	1 193	1 256
Machinery and equipment	–	59	167	–	1 093	–	–	–	–
Heritage Assets	–	–	–	–	–	–	–	–	–
Specialised military assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Land and sub-soil assets	–	–	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–	–	–
Payments for financial assets	–	–	–	–	–	–	–	–	–
Total economic classification	78 434	83 080	83 776	97 299	90 299	88 932	84 055	89 001	91 718

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2014:130).

Special schools are funded from the NCED's programme 4. This programme, known as Public Special Schools Education aims to "provide compulsory public education in special schools in accordance with the South African Schools Act and White Paper 6 on inclusive education" (Northern Cape Province, 2014:129). The total expenditure for special schools is less than R100 million annually, with the bulk of expenditure going into compensation of employees (see Table 4.16 above). In the 2012/13 financial year, for example, the total budget for this programme was R83 million, with an expenditure of R74 million going towards compensation. Transfers to the special schools in terms of Section 21 were R6 million (Northern Cape Province, 2014:130). The Northern Cape has ten public special schools with 1 644 learners (RSA, 2011:17).

One other programme that makes transfer payments to schools in terms of the SFN is Programme 7, Early Childhood Development. According to the programme objective, this programme is geared towards "the provision of Early Childhood Education (ECD) at the Grade R and earlier levels in accordance with White Paper 5" (Northern Cape Province, 2014:132). There are four sub-programmes in ECD, namely Grade R in public schools, Grade R in community centres, pre-Grade R

training and human resource development. Funding for this programme has seen substantial increases over the years, especially since ECD became one of the priorities of government. With a figure of around R45 million on expenditure in ECD during the 2010/11 financial year (see Table 4.17 below) we see estimated medium-term figures of R110 million and R116 million projected for 2015/16 and 2016/17 respectively (Northern Cape Province, 2014:133). A shift has also been observed in funding during the adjustments appropriation of 2013/14, where transfers to non-profit institutions decrease substantially from R55 million to just R13 million, while compensation of employees in this programme increases from R20 million to R62 million. According to NCED officials, this is due to a policy position that allowed ECD practitioners to be paid directly through the Department's Persal system, instead of transferring these salaries to institutions where these educators get paid from the school or centre in the form of stipends. The NCED, in terms of 2011 statistics, has 124 ECD institutions with about 10 000 learners (RSA, 2011:17).

Table 4.17: Summary of Payments and Estimates by Economic Classification: Early Childhood Development

R thousand	Outcome			Main appropriation	Adjusted appropriation 2013/14	Revised estimate	Medium-term estimates		
	2010/11	2011/12	2012/13				2014/15	2015/16	2016/17
Current payments	17 726	20 721	21 876	29 161	67 161	64 681	79 329	80 849	85 134
Compensation of employees	14 594	15 073	15 782	20 468	62 468	61 312	71 541	72 606	76 454
Goods and services	3 132	5 648	6 094	8 693	4 693	3 369	7 788	8 243	8 680
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	27 758	35 523	50 308	56 903	14 903	13 866	5 073	29 572	31 139
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	27 608	35 521	47 945	55 944	13 944	13 480	5 073	29 523	31 088
Households	150	2	2 363	959	959	386	-	49	52
Payments for capital assets	-	86	-	-	-	-	-	-	-
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	-	86	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total economic classification	45 484	56 330	72 184	86 064	82 064	78 547	84 402	110 421	116 273

Source: NC Province – Estimates of Provincial Revenue and Expenditure (2014:133).

The Food Nutrition Programme provides for the feeding of 255 700 learners in quintile 1 to 3 schools, where a meal is served for 196 school days. Funding for this

programme is sourced from a conditional grant. However, a further 70 000 learners in quintile 4 to 5 are also provided with a meal for 196 days in a year, with funds sourced from the department's equitable share (Northern Cape Province, 2014:119).

4.6 CONCLUSION

In this chapter, the issue of increasing learner numbers in the Northern Cape and the effect this has on the budget of the NCED are clearly emphasised. A huge change can be seen in learner enrolments, from 208 877 in 1998 to 285 494 in 2014, with the John Taole Gaetsewe District contributing most of this increase, adding 70 218 learners. This area, which is relatively under-developed, was incorporated into the Northern Cape in 2007 and has led to a dramatic increase in the number of poor schools in the province.

The budget of the NCED has also shown increases over a period of time. In 2000/01, the budget was less than a billion rand and this increased to R4.44 billion in the 2013/14 financial year, and is further estimated to grow to R5.1 billion in 2015/16. Most of this money is spent on public ordinary schools, the programme in which most of the education delivery processes take place. In 2009, it was estimated that over 82 per cent of the NCED budget was spent on this programme, with further growth in spending expected to be around 9.5 per cent at the time. Part of the increase was attributed to the expansion of no-fee schools.

Other key expenditure items include compensation of employees, as well as transfers and subsidies, and infrastructure development. In the 2012/13 financial year, for example, expenditure on these three items amounted to R2.657 billion, R257 million and R312 million respectively.

The relevance of this chapter to the study is clearly demonstrated in the approach to analysing important data related to the finances of the NCED. It begins by looking at learner enrolment figures in the Northern Cape and then the budgetary

allocations to education by the provincial government, moving on to the spending of this budget for education purposes. This lies at the heart of the study as it investigates funding allocations and expenditure trends within the department and even, to some extent, draws comparisons with other provincial departments.

From this chapter, the following conclusions can be drawn for further analysis:

- The increase in learner enrolments is a key driver of the NCED budget. This budget is the highest of all government departments and, together with that of the Department of Health, makes up 62 per cent of the total provincial allocation. The growth in learners was mainly as a result of the incorporation of the John Taole Gaetsewe District from the North West Province, which is historically a poverty-stricken area;
- Apart from receiving an equitable share from the national fiscus of around R3.9 billion in the 2013/14 financial year, the NCED also received funding in the form of conditional grants amounting to over R500 million. This amount is mainly to cover expenditure on infrastructure and the National School Nutrition Programme (NSNP), amongst others;
- The NCED's biggest spending is on personnel costs to the tune of almost R3 billion in 2013/14 from its allocated R4.44 billion. The growth in personnel expenditure was, apart from factors such as OSD, also driven by government's plan to provide additional educators to quintile one schools in order to address equity;
- The provision of resources to schools, such as LTSM, are included in the NCED's goods and services budget, which the National Treasury also acknowledged posed a challenge since there were inefficiencies in the process of delivering LTSM to schools;
- The second biggest expenditure item of the NCED, in terms of economic classification, is transfers and subsidies with spending of over R300 million in the 2013/14 financial year. Most of this money is transferred to schools;
- As part of its performance measures, the NCED estimated that 179 732 learners from a total of 262 958 would benefit from the No-Fee Schools Policy. This

means that less than a third of learners in public schools would be required to pay school fees. In terms of the School Nutrition Programme, the beneficiaries of this grant would be over 96 per cent of public school learners;

- Schools are required to demonstrate capacity that they will manage public funds effectively and efficiently before they are granted Section 21 powers, which will allow them to receive funding to spend on various items such as the procurement of LTSM, payment for services and the maintenance of school property;
- Most of the transfer payments by the NCED are made to primary schools as well as the NSNP conditional grant. The NCED also avails additional funding for school nutrition from its equitable share allocation to provide for learners who are not covered by the conditional grant. There are over 70 000 learners in quintiles 4-5 who benefit from this;
- The NCED's drive to increase the number of no-fee schools shows that it had a major impact on its budget in terms of transfers and subsidies to schools. It increased dramatically from R160 931 000 in 2007/08 to an estimated R406 938 000 in 2013/14.

The study will now focus on the actual allocations made to schools in the following chapter. The idea was to show an analysis of how much money was transferred to schools and other institutions by the NCED in the financial year of 2014/15.

CHAPTER FIVE: ASSESSMENT OF THE DISTRIBUTION AND UTILISATION OF EDUCATION FUNDS BY THE NCED

5.1 INTRODUCTION

It is important to make an assessment of how the funds specifically intended for public schools and other institutions, are distributed and utilised by the NCED in any given year.

This section deals primarily with the transfers and subsidies item of the NCED in terms of economic classification. It relates to the allocation of funds to non-profit institutions (which are mainly schools) and how this process is facilitated through the publishing of a government gazette. A thorough analysis was conducted to assess the extent of these funding allocations to individual schools in the province, as well as to other institutions, which include special schools, independent schools and Grade-R establishments. The NCED's funding allocation of the NSNP grant to beneficiary schools is also highlighted. Much of this analysis is presented in the form of tables, which are generated to depict certain common elements, for example the number of schools that receive over a million rand.

The Auditor-General's findings on the financial management of the NCED, which cover the period between the 2002/03 to 2012/13 financial years, are also discussed at length. The study looks at the audit outcomes of seven different financial years and highlights the key findings of the Auditor-General.

Finally, the chapter includes a section on the bureaucracy of the NCED, where the study focuses on the profile of the department's human resources.

5.2 AN ANALYSIS OF FUNDING ALLOCATIONS TO SCHOOLS

All transfers to schools require a process whereby the provincial MEC responsible for finance publishes an annual gazette in which funding allocations to the

individual schools and institutions are specified. This gazette is issued in terms of the Division of Revenue Act (DORA).

In this gazette, all public schools in the province are listed per quintile with each school receiving its exact allocation over the MTEF period. This includes amounts that a school receives to manage functions granted to it in terms of Section 21, i.e. maintenance, learning support materials (LSM), non-LSM as well as services (see Table 5.1 below). The list also shows the school's EMIS number, the district in which the school is located, as well the quintile category of the school and an indication of its no-fee status. Other information specified on the list is the number of learners at the school and the per capita allocation (per learner) for a particular year. There is also an indication of which of the Section 21 functions the school has been granted, namely (a) maintenance, (b) curriculum, (c) learning support materials (LSM), (d) paying for services and (e) other functions (Provincial Treasury 2014:5).

5.2.1 The Million Rand per Annum Schools

Looking at the 2014 gazette as an example, the first school on the list, namely, !Xunkhwesa Combined School in the Frances Baard District is shown to be a no-fee school in quintile one with 1 177 learners registered for the 2014 school year. It was given a per capita allocation of R1 059 per learner to use for four specific Section 21 functions that it had been granted. It received a budget of R1 268 560 in the 2013/14 financial year, which has now decreased to R1 246 443 for the 2014/15 financial year. This decrease can be ascribed to a drop in learner numbers since the 2013 school year, standing at 1 256 learners (Provincial Treasury, 2013:5). In this allocation of R1 246 443, an amount of R186 966 is to be used for maintenance of the school, R299 146 for the procurement of learning support materials, while R224 360 is to be used for other goods not related to learning support materials).

Table 5.1: Allocation to Public Schools

PUBLIC ORDINARY SCHOOL ALLOCATIONS													Main	Medium-term estimates						
EMIS	INSTITUTION NAME	DISTRICT	NO FEE	QUINTILE	LEARNERS	PER CAP 2014	aMnt	bCur	cLSM	dRec	d1AET	eOpfunds	2013/2014	2014/2015	MAINTENANCE	LSM	NonLSM	SERVICES	2015/2016	2016/2017
300016302	IXUNKHWESA COMBINED SCHOOL	FRANCES BAARD	YES	1	1177	R 1 059	Yes	Yes	Yes	Yes	No	No	R1 268 560	R1 246 443	R186 966	R299 146	R224 360	R535 970	R1 313 532	R1 382 975
300100037	BA GA L O T L H A R E I N T E R M E D I A T E S C H O O L	JOHN TAOLO GAETSEWE	YES	1	683	R 1 059	Yes	Yes	Yes	Yes	No	No	R734 270	R723 297	R108 495	R173 591	R130 193	R311 018	R762 228	R802 525
300100042	BADIHILE PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	80	R 1 059	Yes	No	Yes	Yes	No	No	R76 760	R84 720	R12 708	R20 333	R15 250	R36 430	R89 280	R94 000
300100054	BAITHAOPH PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	250	R 1 059	Yes	No	Yes	Yes	No	No	R251 490	R264 750	R39 713	R63 540	R47 655	R113 843	R279 000	R293 750
300106000	BANKHARA BODULONG HIGH SCHOOL	JOHN TAOLO GAETSEWE	YES	1	735	R 1 059	Yes	No	Yes	Yes	No	No	R731 240	R778 365	R116 755	R186 808	R140 106	R334 697	R820 260	R863 625
300045219	BANKHARE-BODILONG PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	1439	R 1 059	Yes	No	Yes	Yes	No	No	R1 525 100	R1 523 901	R228 585	R365 736	R274 302	R655 277	R1 605 924	R1 690 825
300017306	BANKSDRIF SECONDARY SCHOOL	FRANCES BAARD	YES	1	784	R 1 059	Yes	Yes	Yes	Yes	No	No	R818 100	R830 256	R124 538	R199 261	R149 446	R357 010	R874 944	R921 200
300100081	BAEKEI PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	95	R 1 059	Yes	No	Yes	Yes	No	No	R102 010	R100 605	R15 091	R24 145	R18 109	R43 260	R106 020	R111 625
300100102	BATSWELETS PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	154	R 1 059	Yes	No	Yes	Yes	No	No	R165 640	R163 086	R24 463	R39 141	R29 355	R70 127	R171 864	R180 950
300011216	BELMONT PRIMÈRESKOOI	PIXLEY-KA-SEME	YES	1	18	R 1 059	Yes	No	Yes	Yes	No	No	R28 280	R24 519	R3 678	R5 885	R4 413	R10 543	R20 088	R21 150
300100131	BOGARE PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	114	R 1 059	Yes	No	Yes	Yes	No	No	R92 920	R120 726	R18 109	R28 974	R21 731	R51 912	R127 224	R133 950
300100134	BOGOSIENG LEKWE PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	107	R 1 059	Yes	No	Yes	Yes	No	No	R118 170	R113 313	R16 997	R27 195	R20 396	R48 725	R119 412	R125 725
300100159	BOITSHIRELISO PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	158	R 1 059	Yes	No	Yes	Yes	No	No	R175 740	R167 322	R25 098	R40 157	R30 118	R71 948	R176 328	R185 650
300100166	BOJELAKGOMO PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	261	R 1 059	Yes	No	Yes	Yes	No	No	R272 700	R276 399	R41 460	R66 336	R49 752	R118 852	R291 276	R306 675
300041201	BOPLAAS PRIMÈRESKOOI	ZF MGCAWU	YES	1	20	R 1 059	Yes	Yes	Yes	Yes	No	No	R31 310	R24 519	R3 678	R5 885	R4 413	R10 543	R22 320	R23 500
300100200	BOSELE INTERMEDIATE SCHOOL	JOHN TAOLO GAETSEWE	YES	1	287	R 1 059	Yes	Yes	Yes	Yes	No	No	R272 700	R303 933	R45 590	R72 944	R54 708	R130 691	R320 292	R337 225
300100201	BOSHENG INTERMEDIATE SCHOOL	JOHN TAOLO GAETSEWE	YES	1	408	R 1 059	Yes	No	Yes	Yes	No	No	R360 570	R432 072	R64 811	R103 697	R77 773	R185 791	R455 328	R479 400
300100208	BOTHETHELTSAPRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	230	R 1 059	Yes	No	Yes	Yes	No	No	R238 360	R243 570	R36 536	R58 457	R43 843	R104 735	R256 680	R270 250
300100557	BOTHITHONG SECONDARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	156	R 1 059	Yes	Yes	Yes	Yes	No	No	R164 630	R165 204	R24 781	R39 649	R29 737	R71 038	R174 096	R183 300
300100230	CARDINGTON PRIMARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	115	R 1 059	Yes	No	Yes	Yes	No	No	R119 180	R121 785	R18 268	R29 228	R21 921	R52 368	R128 340	R135 125
300100246	COLSTON INTERMEDIATE SCHOOL	JOHN TAOLO GAETSEWE	YES	1	304	R 1 059	Yes	No	Yes	Yes	No	No	R280 780	R321 936	R48 290	R77 265	R57 948	R138 432	R339 264	R357 200
300044203	DEBEN PRIMÈRESKOOI	JOHN TAOLO GAETSEWE	YES	1	1460	R 1 059	Yes	Yes	Yes	Yes	No	No	R1 505 910	R1 546 140	R231 921	R371 074	R278 305	R664 840	R1 629 360	R1 715 500
300100271	DIBOTSWA SECONDARY SCHOOL	JOHN TAOLO GAETSEWE	YES	1	713	R 1 059	Yes	No	Yes	Yes	No	No	R710 030	R755 067	R113 260	R181 216	R135 912	R324 679	R795 708	R837 775

Source: NC Province – Provincial Gazette Extraordinary (2014).

The largest amount, of R535 970, is to allow the school to pay for services such as telephone lines, electricity and water accounts as well as rental for photocopiers. In terms of the MTEF, !Xunkhwesa would be allocated R1 313 532 and R1 382 975 in the two outer years respectively.

A breakdown of allocations to public schools (from the 2014 Gazette) shows some interesting figures. The number of public schools to receive funding from the NCED in the 2014/15 financial year stood at 550 with over forty schools mainly in the no-fee category receiving over a million rand each. The number of schools receiving over a million rand is projected to increase to 57 and 61 over the 2015/16 and 2016/17 financial years respectively. Almost all of the 41 schools (with the exception of three) each have learner numbers in excess of 1 000. Incidentally, the three exceptions have learner enrolments of between 950 and 1 000.

From the number of public schools which move into the million rand per annum bracket in the two outer years, firstly, in the 2015/16 financial year, 14 of the 16 additional schools have learner numbers ranging from 898 to 989. These schools are all in quintiles 1-3. The other two schools have learner enrolments of 1 252 and 1 240 respectively and are both in quintile four. Secondly, in the projections for 2016/17, the four additional schools that reach the million rand per annum mark have learner enrolment figures of 864 to 873.

It is also worth mentioning that within the 2014/15 allocations only one school, Gamohana Intermediate School, dropped out of the million rand per annum bracket in the 2013/14 financial year, when it received an allocation of R1 077 670, decreasing to an amount of R950 982 in the 2014/15 financial year. This decrease in funding allocation is also due to a drop in learner numbers, from 1 067 in 2013 to 898 in 2014. However, projections in the 2014 MTEF indicate a return for the school to the million rand per annum category.

In terms of the 2014/15 Gazette, the highest allocation went to De Ben Primary School (see Table 5.2 below). This school, with an enrolment of 1 460 learners, received R1 546 140 with a projection of R1 715 500 in the 2016/17 financial year. It

is followed closely by Bankhara-Bodulong with an allocation of R1 523 901 in the 2014/15 financial year and projecting to grow to R1 690 825 in the 2016/17 financial year. The school that is projecting the highest growth in the 2016/17 financial year is Noordkaap Primêr with a projected allocation of R1 737 825, which will place it at the top of the list in that year from its current fourth spot in the 2014/15 financial year. A noteworthy feature of the top five beneficiaries of departmental funding is that they all have learner numbers exceeding 1 400.

Table 5.2: List of Schools Receiving the Highest Allocations

Name of School	Quintile	Learners	Per Cap	2013/14	2014/15	2015/16	2016/17
Deben Primêr	1	1460	R1059	R1 505 910	R1 546 140	R1 629 360	R1 715 500
Bankhara-Bodulong Primary	1	1439	R1059	R1 525 100	R1 523 901	R1 605 924	R1 690 825
Tlhwahalang Secondary	1	1410	R1059	R1 453 390	R1 493 190	R1 573 560	R1 656 750
Noordkaap Primêr	2	1479	R1000	R1 368 628	R1 479 000	R1 650 564	R1 737 825
Saul Damon Sekondêr	3	1446	R1000	R1 230 654	R1 446 000	R1 613 736	R1 699 050
Rietvale High	1	1247	R1059	R1 186 750	R1 320 573	R1 391 652	R1 465 225
Wrenchville Primêr	2	1307	R1000	R1 219 542	R1 307 000	R1 458 612	R1 535 725
Roodepan Primary	3	1302	R1000	R1 176 020	R1 302 000	R1 453 032	R1 529 850
Rietrivier Primary	1	1222	R1059	R1 193 820	R1 294 098	R1 363 752	R1 435 850
Valspan Intermediate	3	1290	R1000	R1 190 836	R1 290 000	R1 439 640	R1 515 750

Source: NC Province – Provincial Gazette Extraordinary (2014)

5.2.2 The Least Earning Schools

The lowest allocation in the 2014/15 Gazette is the amount of R 24 519, which was received by eleven schools (see Table 5.3 below) with learner numbers ranging from 7 to 128 and quintiles from 1-5. An interesting phenomenon is the drastic reduction of funding to Letlhakajaneng Primary School from an amount of R260 580 in the previous financial year to only R24 519 in the 2014/15 financial year.

Table 5.3: List of Schools Receiving the Lowest Allocations

Name of School	Quintile	Learners	Per Cap	2013/14	2014/15	2015/16	2016/17
Belmont Primêr	1	18	R1059	R28 280	R24 519	R20 088	R21 150
Boplaas Primêr	1	20	R1059	R31 310	R24 519	R22 320	R23 500
Laerskool Elandsvlei	1	22	R1059	R24 240	R24 519	R24 552	R25 850
Lepelsfontein Primêr	1	16	R1059	R23 373	R24 519	R17 856	R18 800
Letlhakajaneng Primary	1	7	R1059	R260 580	R24 519	R7 812	R8 225
Melton Wold Primêr	2	22	R1000	R23 373	R24 519	R24 552	R25 850
Reebone Intermediate	3	23	R1000	R23 373	R24 519	R25 668	R27 025
Elizabeth Wimmer Primêr	4	28	R710	R31 866	R24 519	R25 794	R27 135
Goodhouse NGK Primêr	4	27	530	R23 373	R24 519	R15 093	R15 876
Soebatsfontein NGK Primêr	4	34	R710	R23 373	R24 519	R25 794	R27 135
Hoërskool Aggenys	5	128	R183	R23 373	R24 519	R24 704	R25 984

Source: NC Province – Provincial Gazette Extraordinary (2014)

While the obvious answer to this was the apparent huge decrease in learner numbers from 258 to 7, a departmental official acknowledged that this was an error that would have been corrected in the final allocation letter to the school.

The implications of the SFN can be clearly observed in the analysis of the 2014/15 allocations to schools. There are very few schools in quintiles 4 and 5 (fee paying) that reach the million rand per annum category in spite of their high learner numbers. In fact, there is only one school that made the list from this category, namely Vaal-Oranje Primêr, with an allocation of R1 173 782 in the 2014/15 financial year (see Table 5.4 below). The school has a learner enrolment of 1 501 and, with its 2014 per capita allocation of R782, is at least able to make the million rand mark. However, the school with the highest learner number of 1 625 only receives R861 250 because of its lower 2014 per capita allocation of R530.

Table 5.4: List of Fee-Paying Schools with the Highest Learner Numbers

Name of School	Quintile	Learners	Per Cap	2013/14	2014/15	2015/16	2016/17
Westerkim Primary	4	1625	R530	R771 640	R861 250	R908 375	R955 500
Vaal-Oranje Primêr	4	1501	R782	R1 124 982	R1 173 782	R1 234 819	R1 299 029
Oranje-Suid Primêr	4	1468	R530	R714 070	R778 040	R820 612	R863 184
Die Kuil Intermediêr	4	1386	R530	R699 930	R734 580	R774 774	R814 968
SC Kearns Secondary	4	1377	R530	R721 645	R729 810	R769 743	R809 676
Laerskool Kathu	5	1369	R183	R221 328	R250 527	R264 217	R277 907
AJ Ferreira Sekondêr	4	1293	R530	R631 755	R685 290	R722 787	R760 284
Hantam Primêr	4	1293	R530	R651 955	685 290	R722 787	R760 284

Source: NC Province – Provincial Gazette Extraordinary (2014)

A further analysis from the 2014 Gazette shows that the lowest per capita allocation to schools is an amount of R183, mainly for schools in quintile five. If one considers the effect of this on the bigger schools (those with learners of 800 or more), it is clear that they receive the smallest amounts of funding allocation from government (see Table 5.5 below).

Table 5.5: List of Fee-Paying Schools with the Highest Learner Numbers and the Lowest Allocations

Name of School	Quintile	Learners	Per Cap	2013/14	2014/15	2015/16	2016/17
Laerskool Kathu	5	1369	R183	R221 328	R250 527	R264 217	R277 907
Hoërskool Kathu	5	982	R183	R157 818	R179 706	R189 526	R199 346
Hoërskool Noordkaap	5	977	R183	R167 388	R178 791	R188 561	R198 331
Laerskool Oranje-Noord	5	938	R183	R165 648	R171 654	R181 034	R190 414
Hoërskool Kalahari	5	893	R183	R157 296	R163 419	R172 349	R181 279
Newton Primêr	5	881	R183	R148 596	R161 223	R170 033	R178 843
Hoërskool Duineveld	5	813	R183	R143 724	R148 779	R156 909	R165 039

Source: NC Province – Provincial Gazette Extraordinary (2014)

The school with the highest number of learners in this category (Kathu Laerskool with 1 369) received R250 527, which is a rather small amount if compared to a school with more or less the same number of learners in a more favourable quintile. Wrenchville Primary, a quintile two school, which incidentally is in the same district as Kathu Laerskool, namely John Taole Gaetsewe, has 1 307 learners and received R1.3 million, while Rietvale High, a quintile one school, with the lower learner number of 1 247, also received R1.3 million in the 2014/15 financial year. Hoërskool Duineveld, which is the last school in this category, with a total of 813 learners, received only R148 779.

These schools, which incidentally are all former model-C schools, would have to charge fees to make up for shortfalls in their budgets. According to a departmental official, these fees range from as little as R50 to over R10 000 per annum.

5.2.3 Allocations for the School Nutrition Programme

As indicated earlier, a separate allocation is made to schools for the provision of the National School Nutrition Programme (NSNP). Thus, apart from their normal allocation, some schools also receive an additional amount to provide food to needy learners.

In terms of the 2014 Gazette, there were 468 (out of a total of 602) public schools that received additional allocations for the NSNP. For the 2014/15 financial year, an amount of R139 146 930 was disbursed to these 468 schools, representing a total of 254 683 learners who would benefit from this programme. Those amounts were projected to grow to R146 million and R153 million for the 2015/16 and 2016/17 financial years respectively (Provincial Treasury, 2014:42).

For example, the first school on the list, namely Boitumelo Special School, received R121 070 in the 2014/15 financial year to feed its 203 learners. This amount was to be divided into R21 600 for food handlers, R5 570 for administration costs and R93

900 for procuring food supplies. The R121 070 was projected to increase to R127 124 and R133 480 respectively in the outer years of the MTEF.

The list of 468 schools also includes some special schools, which ordinarily receive their funding within the Framework for Allocation to Public Special Schools. In terms of this framework there are ten special schools in the province that collectively received over R10 million in the 2014/15 financial year (Provincial Treasury, 2014:20).

Six special schools are included in the NSNP list with NJ Heyns receiving the biggest slice at R288 670 for its 523 learners and Kimberley Training Centre the smallest with R65 190 for 111 learners.

Table 5.6: List of Schools Receiving the Highest Allocations for Food Nutrition

Name of School	Quintile	Learners	2013/14	2014/15	2015/16	2016/17
Saul Damon Sekondêr	3	1446	R917 133	R947 985	R995 384	R1 045 153
Noorkaap Primêr	2	1575	R826 865	R858 150	R901 058	R946 110
Deben Primêr	1	1552	R825 460	R846 880	R889 224	R933 685
Bankhara-Bodulong Primary	1	1534	R818 433	R838 060	R879 963	R923 961
Pescodia Secondary	3	1273	R850 885	R834 104	R875 810	R919 600
Valspan Intermediate	3	1400	R757 128	R781 815	R820 906	R861 952
Roodepan Primary	3	1403	R699 675	R773 870	R812 564	R853 192
Homevale Secondary Nr 1	3	1176	R846 426	R765 508	R803 783	R843 972
Oranje Diamant Primêr	3	1351	R717 007	R737 590	R774 470	R813 193
Vuyolwethu Secondary	2	1095	R747 803	R717 245	R753 107	R790 762

Source: NC Province – Provincial Gazette Extraordinary (2014)

According to the 2014 Gazette, the highest allocation for the Nutrition Programme in the 2014/15 financial year was an amount of R947 985, which was made to Saul Damon Sekondêr, a quintile three school in the ZF Mgcawu district (see Table 5.6 above). This amount which would benefit the 1 446 learners at the school was projected to increase to over a million rand in the 2016/17 financial year. The

school with the most learners, namely Westerkim Primary School in the same district with 1 733 learners received a far less amount of R 624 552 because of its more favourable quintile ranking (four).

The above table reflects the top ten highest allocations of the NSNP to public schools. Six of these schools are also in the top ten list of schools for normal allocations. They are Deben, Bankhara-Bodulong, Noordkaap, Saul Damon, Roodepan Primary and Valspan. Thus, if one considers both allocations to some of these schools, it becomes clear that they receive huge sums of money from government. For example, Deben Primêr received R1 546 140 in its normal allocation for the 2014/15 financial year plus an additional amount of R846 880 for the NSNP. This brings the total allocation to this school to R2 393 020. Even a quintile three school, such as Saul Damon Sekondêr, which received R1 446 000 in the 2014/15 financial year, would have received R2 393 985 in total if the R947 985 of the NSNP is added. In fact, the top seven schools on the above list would all receive over R2 million in the 2014/15 financial year if the NSNP allocation is added. The other three schools would come in just below this mark, with Homevale at R1 941 500, Oranje Diamant at R1 946 590 and Vuyolwethu at R1 812 245.

Another interesting observation is that three schools on the list show a decrease in the 2014/15 NSNP allocation from a higher allocation in the 2013/14 year. These are Pescodia Secondary decreasing from R850 885 to R834 104, Homevale from R846 426 to R765 508, and Vuyolwethu from R747 803 to R717 245. The biggest decrease in these cases is that of Homevale receiving R80 918 less in the 2014/15 financial year. In the case of Homevale, this decrease could be ascribed to dwindling learner numbers from 1 218 in 2013 to 1 176 in 2014. This is, however, not the case for Pescodia and Vuyolwethu both of which had increased learner numbers. Pescodia increased from 1 225 in 2013 to 1 273 in 2014 and Vuyolwethu from 1 079 in 2013 to 1 095 in 2014. According to a departmental official, this anomaly was attributed to a decision by the NCED to decrease the allocation for the Nutrition Programme made to high schools in order to accommodate schools in quintiles 4 and 5.

While the above scenario reflects schools that are allocated funds at a higher level, the following shows the list of schools receiving the least allocations in respect of the School Nutrition Programme (see Table 5.7 below).

Table 5.7: List of Schools Receiving the Least Allocations for Food Nutrition

Name of School	Quintile	Learners	2013/14	2014/15	2015/16	2016/17
Goodhouse NGK Primêr	4	29	R13 790	R19 625	R20 606	R21 636
Boplaas Primêr	1	20	R24 602	R20 600	R21 630	R22 712
Melton Wold Primêr	2	22	R19 449	R21 580	R22 659	R23 792
Elizabeth Wimmer Primêr	4	36	R17 500	R21 755	R22 843	R23 985
Lepelsfontein RK Primêr	1	23	R19 917	R22 070	R23 174	R24 332
Soebatsfontein NGK Primêr	4	40	R15 422	R22 972	R24 121	R25 327
Katlani (NGK) Primêr	2	25	R23 665	R23 050	R24 203	R25 413
Letlhakajaneng Primary	1	28	R160 692	R24 520	R25 746	R27 033
Belmont Primêr	1	29	R25 539	R25 010	R26 261	R27 574
Laerskool Elandsvlei	1	30	R23 196	R25 500	R26 775	R28 114

Source: NC Province – Provincial Gazette Extraordinary (2014)

In terms of the 2014/15 NSNP grant allocations, the amounts range from R19 625, which is the lowest allocation, to R25 500. While most schools on the list would also experience a higher allocation in the 2014/15 year than the previous financial year, there are exceptional cases where schools actually saw a decrease. This is the case with Boplaas (from R24 602 to R20 600), Katlani (from R23 665 to R23 050) and Belmont (from R25 539 to R25 010), which all experienced marginal decreases. These decreases can also be ascribed to declining learner numbers with Boplaas from 31 in 2013/14 to 20 in 2014/15, Katlani from 29 to 25 and Belmont from 33 to 29. The most exceptional case is that of Letlhakajaneng which decreased from R160 692 to R24 520. However, as was explained earlier, this was due to an error.

It must be emphasised that the NSNP allocations make provision for learners across the sectors, including Grade R. This means that some schools, particularly primary

schools, could get several allocations that would ensure that their funding from government runs into millions of rands.

5.2.4 Grade R Allocations

There were 374 schools and learning centres that received funding from the Department's ECD allocation in the 2014/15 financial year. As earlier indicated, these allocations are made from programme 7 and targets learners at Grade-R level.

According to the 2014 Gazette, the number of learners benefitting from these Grade-R allocations amounts to 17 997 at a total cost of R11 386 735 in the 2014/15 financial year. This amount is projected to grow to R11 956 072 and R12 553 875 for the 2015/16 and 2016/17 financial years respectively (Provincial Treasury, 2014:30). The allocations are made to all schools (and learning sites) that offer Grade R with the only difference being the per capita amount for which they qualify in terms of their quintile ranking. Schools in quintile one receive the biggest per capita allocation of R804 and those in quintile five the lowest at R134.

Vela-Langa Primary School received the highest allocation of R104 654 in the 2014/15 financial year, with this amount projected to increase to R115 381 in 2016/17. While this school has one of the highest numbers of Grade 12 learners at 142 it is its more favourable quintile ranking of 2 that ensures it receives the highest allocation. The schools with higher learner numbers than Vela-Langa are in less favourable quintiles, which cause them to receive far less. These are Vaal-Oranje Primêr with 205 learners, which received R82 410 in the 2014/15 financial year, as well as Newton Primêr with 155 learners, which was allocated only R20 770. The former is in quintile four and the latter in quintile five.

There were 16 schools, all in quintile five, which received the lowest allocation of R8 000 in the 2014/15 financial year.

5.2.5 Allocations to Special and Independent Schools

As indicated earlier, funding allocations to independent and special schools are done under programmes 3 and 4 respectively. In the 2014/15 financial year, these allocations amounted to R7 991 839 in total for independent schools and R10 122 912 for public special schools (Provincial Treasury, 2014:19-20).

Only five independent schools (from a total of 20) receive funding from the NCED (see Table 5.8 below). These schools represent over 1 500 learners with St Boniface High School having the highest total at 931 and the Kimberley Islamic School the lowest with 79 learners. St Boniface also receives the largest portion of the total allocation to independent schools with an amount of R5 370 975, which is projected to grow to R5 639 524 and R5 921 500 in the outer years of the MTEF.

Table 5.8: Allocations to Independent Schools

INDEPENDENT SCHOOLS	EMIS	INSTITUTION NAME	PRIMARY/SECONDARY /COMBINED	DISTRICT	Nr. OF LEARNERS	Main appropriation	Medium-term estimates		
						2013/2014	2014/2015	2015/2016	2016/2017
	300014402	ST BONIFACE HIGH SCHOOL	SECONDARY	FRANCES BAARD	931	R 5 198 190	R 5 370 975	R 5 639 524	R 5 921 500
	300034401	ST. ANNA SEKONDÊRE PRIVAATSKOOL	SECONDARY	NAMAQUA	146	R 960 191	R 1 000 455	R 1 050 478	R 1 103 002
	300051301	KURUMAN CHRISTIAN ACADEMY	COMBINED	JOHN TAOLLO GAETSEW	220	R 951 877	R 996 642	R 1 046 474	R 1 098 798
	300011219	KIMBERLEY ISLAMIC SCHOOL	PRIMARY	FRANCES BAARD	79	R 425 839	R 451 817	R 474 408	R 498 128
	300017307	ST CYPRIAN'S GRAMMAR SCHOOL	COMBINED	FRANCES BAARD	140	R 167 517	R 171 949	R 180 547	R 189 574
						R 1 516	R 7 703 613	R 7 991 839	R 8 210 884
								R 8 621 429	

Source: NC Province – Provincial Gazette Extraordinary (2014)

In spite of having the lowest number of learners, the Kimberley Islamic School received just less than three times more than the school that received the lowest allocation of R167 517, namely St Cyprian Grammar School.

There are ten public special schools in the Northern Cape that are all included in the funding allocations from the NCED (see Table 5.9 below). These schools represent 1 691 learners with special needs, of which 385 are residents of hostels at three of the schools.

These schools with hostels also receive the biggest allocations, all over the million rand mark. Firstly, the school with the highest learner enrolment in the special schools category, NJ Heyns, with 523 learners (128 in the hostel) received R2 731 707 in the 2014/15 financial year projecting to grow to R3 million in the 2016/17 financial year. Secondly, Elizabeth Conradie with 241 learners, half of which reside at the hostel, received R1 762 041 in the 2014/15 financial year and was projected to increase to R1 942 650 in the 2016/17 financial year. Thirdly, Jannie Brink and Learamele are the other two schools with hostels and received R1 432 504 and R1 087 527 respectively in the 2014/15 financial year. These amounts are projected to grow to R1.5 million and R1.1 million in the 2016/17 year.

The school with the lowest allocation is George Kekana with 31 learners, which received R164 145 in the 2014/15 financial year.

Table 5.9: Allocations to Special Schools

SPECIAL SCHOOLS					Main appropriation	Medium-term estimates		
EMIS	INSTITUTION NAME	DISTRICT	Nr. OF SCHOOL LEARNERS	Nr. OF HOSTEL LEARNERS	2013/2014	2014/2015	2015/2016	2016/2017
300010701	BOITUMELO SPECIAL SCHOOL	FRANCES BAARD	203	0	R 943 140	R 984 006	R 1 033 206	R 1 084 867
300010702	GEORGE KEKANA SECURE CARE SCHOOL	FRANCES BAARD	31	0	R 156 550	R 164 145	R 172 352	R 180 970
300010703	JANNIE BRINK SPECIAL SCHOOL	FRANCES BAARD	204	48	R 1 369 920	R 1 432 504	R 1 504 129	R 1 579 336
300010704	KIMBERLEY TRAINING CENTRE	FRANCES BAARD	111	0	R 506 840	R 528 596	R 555 026	R 582 777
300010705	RE TLAMELENG SPECIAL SCHOOL	FRANCES BAARD	172	0	R 941 690	R 982 311	R 1 031 427	R 1 082 998
300010706	ELIZABETH CONRADIE SCHOOL	FRANCES BAARD	241	120	R 1 666 390	R 1 762 041	R 1 850 143	R 1 942 650
300010707	NJ HEYNS SPECIAL SCHOOL	FRANCES BAARD	523	128	R 2 594 690	R 2 731 707	R 2 868 292	R 3 011 707
300010708	HUIS MIMOSA PRIMARY SCHOOL	FRANCES BAARD	45	0	R 227 250	R 238 275	R 250 189	R 262 698
300040701	MARCUS MBETHA SINDISA SECURE CARE CENTRE	ZF MGCAWU	40	0	R 202 000	R 211 800	R 222 390	R 233 510
300102379	LEARAMELE SPECIAL SCHOOL	JOHN TAULO GAETSEWE	121	89	R 1 029 510	R 1 087 527	R 1 141 903	R 1 198 999
					1 691	385	R 9 637 980	R 10 122 912
							R 10 629 058	R 11 160 510

Source: NC Province – Provincial Gazette Extraordinary (2014).

5.3 AUDIT OUTCOMES FOR THE NCED

With so much money being managed by the NCED, and a substantial amount being transferred to schools, it is worth noting reports from the Auditor-General (AG) in respect of this department's annual financial statements.

5.3.1 The 2002/03 Audit

One of the earlier reports from the AG relating to the 2002/2003 financial year highlights a few negative findings.

Firstly, it states that there were transfer payments totalling R705 136, which were made to schools but allocated incorrectly in respect of the responsibility code. It reportedly resulted in a situation where the expenditure per school did not reflect actual transfers made (NCED, 2003:59). Secondly, the report found that there were cases where a change in the allocation of educators “from one responsibility to another were not done when the change was effected” (NCED, 2003:60). This means that such educators were being paid against the responsibility code of the school for which they previously worked. It also resulted, according to the AG’s report, in a situation where the paymaster could not certify the payroll since “the personnel indicated on the payroll were re-allocated to other schools” (NCED, 2003:60).

The third set of key findings relates to Section 21 schools. Here the report indicates that there was no disclosure of the amount received in respect of Section 21 functions in the financial statements of three schools. The AG also determined that there were 31 schools for which the allocation of functions could not be verified in the financial statements. There were also cases where schools failed to submit audited financial statements to the department. The AG cited a case of three schools that also did not submit the requisite monthly income and expenditure assessments to the department, as well as 40 schools that did not have these assessments reviewed by a senior official from the department. According to the AG, this indicates that the “monitoring of income and expenditure of schools is thus questionable” (NCED, 2003:60).

5.3.2 The 2006/07 Audit

The audit opinion expressed by the office of the AG on the financial statements of the NCED in the 2006/07 financial year was that of a disclaimer. This means that the position of the NCED had regressed from a qualified opinion in the 2002/03 audit. The AG's report, in expressing a disclaimer of opinion in 2007, explained that his office had not been able "to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Department of Education" (NCED, 2007:101).

Factors that influenced the AG's decision to express a disclaimer included the following: unauthorised expenditure, which related to previous years, amounting to R3 088 000; irregular expenditure amounting to R1 248 000 due to the lack of quotations being attached to payments as required by policy; lack of proper internal control systems; non-compliance with applicable legislation, namely the PFMA and Treasury Regulations (NCED, 2007:101-103). These issues relate to the overall financial management system of the NCED.

The AG's report also indicates that the 2007 audit included the monitoring of schools for purposes of compliance. The AG made it clear that their visits to schools had revealed that "many schools (had) not compiled financial statements in accordance with international accounting standards and that many schools were not audited as required by the act" (NCED, 2007:104).

5.3.3 The 2008/09 Audit

The disclaimer opinion expressed by the AG continued into the audit period of the 2008/09 financial year. The basis for the disclaimer, according to the AG, was due to the fact that he was unable to satisfy himself "concerning the completeness, existence and valuation of the closing balance of capital assets of R107 343 000..." (NCED, 2009:149). This was as a result of the NCED not providing enough relevant

audit evidence to validate these balances and because the department's assets could not be traced in the asset register.

Other factors related to irregular expenditure amounting to R47 464 000, inaccuracies in respect of employee costs and benefits, payables and receivables as well as the occurrence of fruitless and wasteful expenditure. The AG's report emphasised that unauthorised expenditure by the NCED related to previous years amounted to R26 644 000 and that for the year under review this unauthorised expenditure was "due to the overspending of a vote amounting to R215 694 000..." (NCED, 2009:152). The department, according to the report, had also "materially underspent its budget relating to transfer payments by R26 836 016" (NCED, 2009:152). This resulted in the NCED not achieving its goals with regard to the funding of non-profit institutions in the province for that financial year.

The AG's report highlights the fact that the NCED had internal control deficiencies, which led to it receiving a disclaimer of opinion for three consecutive years. According to the AG, this was also attributed to the lack of skills, competency and motivation within the department, the high vacancy rate and specifically the "insufficient number of staff allocated to the finance section", as well as the responsibilities for specific reporting objectives not being allocated for specific officials (NCED, 2009:153). The report also reveals that the Minister of Finance had requested a forensic audit to be conducted in respect of payments amounting to R22 586 728 made to the Northern Cape Youth Commission. These payments had not been budgeted for and had resulted in the accounting officer committing the NCED "to a liability for which money had not been appropriated" (NCED, 2009:155).

It was also the AG's finding that the accounting officer of the NCED did not, in respect of legislation, maintain "an effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the institution's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed" (NCED, 2009:156). There was also insufficient appropriate audit evidence relating to the performance information of some public schools. This was also true with

respect to source information of the National School Nutrition Programme (NSNP) where evidence in support of the reported performance information was either inaccurate or incomplete. For example, the NCED had reported that “159 531 learners in 468 primary schools were fed in the year under review but the information submitted only related to 30 schools” (NCED, 2009:157). Thus, the AG concluded that the accuracy and completeness of the disclosed output could not be validated.

5.3.4 The 2009/10 Audit

The audit conducted by the office of the AG in respect of the 2009/10 financial year saw an improvement from a disclaimer to a qualified opinion.

The AG’s basis for the qualified opinion includes the occurrence of fruitless and wasteful expenditure as well as irregular expenditure, an amount of R54 492 812 which, according to the AG was not disclosed (NCED, 2010:123). The report also cited cases of non-compliance by the NCED in matters related to the payment of creditors within 30 days as well as overspending of the department’s personnel budget, which is contrary to Treasury Regulations.

The AG concluded that “the department did not have sufficient controls in place to detect all irregular expenditure that occurred during the year under review” (NCED, 2010:126).

5.3.5 The 2010/11 Audit

The audit outcome for the NCED in the 2010/11 financial year was also a qualified opinion. The basis for the AG’s finding included the occurrence of irregular expenditure, fruitless and wasteful expenditure and unauthorised expenditure.

A notable observation by the AG related to the programme dealing with public schools, namely programme 2, Public Ordinary School Education. According to the

AG, it was not possible to establish whether 54 per cent of the reported indicators of this programme were valid, accurate and complete as “sufficient appropriate audit evidence and relevant source documentation could not be provided” (NCED, 2011:81).

The AG also determined that the accounting officer of the NCED was in breach of the relevant laws and regulations. Firstly, there was no evidence that the provincial legislature had been provided with the department’s strategic and annual performance plan (APP) in time, as required by Treasury Regulations. Secondly, the accounting officer did not ensure that his department had “an effective, efficient and transparent system of internal control regarding performance management ...” as is required by the PFMA (NCED, 2011:81). Thirdly, there were no procedures put in place by the accounting officer to ensure the submission of quarterly reports to the executive authority “in order to facilitate effective performance monitoring, evaluation and corrective action as required by Treasury Regulation 5.3.1” (NCED, 2011:81).

There were also adverse findings pertaining to non-compliance by the executive authority in the NCED’s management of its human resources. Firstly, the AG cited a lack of engagement by the executive authority in matters of human resource planning, which is a requirement of the public service regulations (PSR). Secondly, the report highlights the failure by the executive authority to assess the existing human resources with a view to determine the department’s organisational structure based on the strategic plan as required by the PSR. Thirdly, there was no proper approval by the executive authority for the continued employment of employees over the age of 65 in the department as provided for in the Public Service Act (NCED, 2011:82-83).

The AG concluded that the NCED’s financial statements were not adequately reviewed because of staff constraints. The report also singled out the SCM unit, which could “not prevent some of the irregular expenditure as mentioned in the qualification paragraphs” because this unit was not sufficiently staffed (NCED, 2011:85).

5.3.6 The 2011/12 Audit

The NCED continued to receive a qualified audit opinion for the 2011/12 financial year. The AG based his audit findings on the department's lack of adequate systems "to maintain records of immovable assets" (NCED, 2012:74).

Other factors that contributed to the qualified opinion of the AG included payables amounting to R46 144 000, which exceeded the payment period of 30 days, irregular expenditure was incurred amounting to R1 071 306 000, as well as fruitless and wasteful expenditure of R1 017 000 for "interest and penalties arising from late payment of supplier invoices" (NCED, 2012:75). The unauthorised expenditure of the NCED relating to previous financial years was still reflecting as an amount of R255 137 000 and needed to be cleared through proper legislative authorisation processes.

The AG once again highlighted an inability to obtain the relevant information and explanations from the department necessary to satisfy himself of the "validity of actual reported performance relevant to 69% of Public Ordinary School Education (programme 2) and Auxiliary Services (programme 8)" (NCED, 2012:76). The AG made the same observation of these two programmes in respect of two other critical indicators, namely accuracy and completeness. He explained that this was due to the department's records "not permitting the application of alternative audit procedures" (NCED, 2012:76).

The audit report also included some noteworthy observations with regard to the National School Nutrition Programme (NSNP) grant. The AG found that the department was contravening the Division of Revenue Grant Framework by not adhering to the requirements set out in this gazette. Firstly, primary schools in quintiles 1-3 were not providing nutritious meals to all learners on all school days as required. Secondly, these meals were not prepared in accordance with recommended food specifications and menus, nor were they served to learners by 10:00 each day. Thirdly, the sustainable Food Production and Nutrition Education programme was not promoted (NCED, 2012:82). In contravening provisions of the

same gazette, the NCED was also criticised for not monitoring the implementation of the HIV and AIDS grant programme as well as failing to provide support to districts and schools in this regard (NCED, 2012:82).

The AG's report, as was the case in previous years, highlighted some pertinent issues that were consistently lacking in the NCED. These included the shortage of skilled staff, which made it difficult to hold officials accountable for non-compliance, inadequate underlying systems and controls that should be providing reliable and accurate evidence "to support the reporting on predetermined objectives" as well as the department's lack of a risk assessment and fraud prevention plan (NCED, 2012:83). The AG also kept pointing at the provincially shared internal audit unit and audit committee within the Provincial Treasury. The former, according to the AG, was not sufficiently resourced and was thus unable to "identify internal control deficiencies and provide corrective actions", while the latter, because they did not function throughout the year, "could not fulfil all their roles and responsibilities for the year under review" (NCED, 2012:83).

5.3.7 The 2012/13 Audit

For the 2012/13 financial year, the AG again expressed a qualified audit opinion. He based his finding on the lack of sufficient appropriate audit evidence for amounts totalling R62 310 000 disclosed as machinery and equipment. The AG declared that he "could not confirm the physical existence of machinery and equipment by alternative means" (NCED 2013:121).

Apart from the consistent adverse findings on irregular expenditure (amounting to R107 675 000) as well as unauthorised expenditure (disclosed as R16 891 000 for 2012/13), the AG also focused on the material under-spending of the budget by R70 863 000 due to the slow implementation of projects as well as "not appointing personnel to support the implementation and monitoring of infrastructure programmes in the department" (NCED, 2013:122).

The AG also highlighted a concern with regard to the reliability of information related to public schools. He noted that “significantly important targets with respect to Programme 2: Public Ordinary Schools are materially misstated by 42%” (NCED, 2013:123). He attributed this to the lack of monitoring with regard to the “completeness of source documentation in support of actual achievements and frequent review of validity of reported achievements against source documentation” (NCED, 2013:123). In fact, the AG found that overall the NCED failed to achieve 71 of the 104 targets planned for the year, which translates to only 32 per cent of the targets being achieved.

Several cases of non-compliance with relevant laws and regulations were also noted in the AG’s report. Firstly, the department’s financial statements submitted for auditing were not done as prescribed and were not supported with complete, proper records, as per the requirements of the PFMA. Secondly, effective steps were not taken to ensure the prevention of unauthorised, irregular, fruitless and wasteful expenditure as provided for in the PFMA as well as Treasury Regulations. Thirdly, no effective and appropriate disciplinary steps were taken against departmental officials who were deemed to have “made and permitted unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure” as prescribed by both the PFMA and Treasury Regulations (NCED, 2013:124).

Apart from a range of contraventions highlighted in the AG’s findings, the issue of non-compliance with the Division of Revenue Grant Framework was another matter emphasised by the AG (as was the case in previous years). In one instance, the report noted that the department had failed to monitor the implementation of the HIV and AIDS grant and also did not support districts and schools in this regard. In another instance, it found that schools were not serving meals to learners by ten o’clock in the morning and, more importantly, that the “cost per meal per learner was not at an average of R2.56 in primary schools and R3.46 in secondary schools ...” (NCED, 2013:127).

The report again alluded to staff shortages in the critical areas of financial management and, more specifically, in the SCM Unit. This resulted in, amongst others, the fact that financial statements “were not sufficiently reviewed” as well as the failure to “prevent and detect some of the irregular expenditure as disclosed in the annual financial statements” (NCED, 2013:128). The department was also criticised for not taking effective and appropriate disciplinary steps against officials who contributed to the unlawful expenditure. It was also noted that the South African Police Services (Priority Crimes Directorate) was busy with an on-going investigation into “alleged fraudulent activities relating to SCM” (NCED, 2013:128).

It was made apparent from current (and previous) audit reports that the NCED’s systems and controls were not adequate in providing “reliable and accurate evidence to support the reporting on predetermined objectives” (NCED, 2013:128).

5.4 THE HUMAN RESOURCE FACTOR – BUREAUCRACY

It is clear from the AG’s report that the NCED was experiencing staff shortages in critical areas related to its financial management system. However, the NCED is also provincially the biggest employer in the public service.

By 1998, the department had over 11 000 employees, which led to constant over-expenditure of its budget during the nineties. The department had to implement a redeployment strategy to trim the number of posts to around 9 000, which left it with a 23 per cent vacancy rate (NCED, 2003:105). The majority of staff employed in the NCED are educators. From a total number of 11 510 posts in the 2002/03 financial year, 9 607 of these were permanent posts in public ordinary schools (programme 2) and 475 were temporary posts in the same category. There were 392 permanent and four temporary posts for special schools, while the administration (programme 1) had 502 permanent posts of which only 329 were filled (NCED, 2003:105). At the time, there were 30 posts in the finance division, of which only 15 were filled. Also, there were 16 senior managers (salary levels 13 to 16) in the NCED in 2003 (NCED, 2003:106).

By the 2008/09 financial year, the number of posts in the NCED had increased substantially to 14 151, of which 11 187 were filled. While the educator posts at public ordinary schools went up from 9 607 (in 2002/03) to 11 811 posts, it is the number of posts in the administration programme that showed remarkable growth. While in 2002/03 there were only 502 posts, this number had now increased almost threefold to 1 494 posts of which only 710 were filled, giving a vacancy rate of 52.5 per cent (NCED, 2009:230).

Within the financial management component, the staff establishment of the department now made provision for 122 posts of which only 30 were filled, giving a vacancy rate of almost 75 per cent (NCED, 2009:232). These 30 posts include seven officials with finance and economics-related skills and 23 posts of people working mainly as financial clerks and credit controllers. The number of officials within the senior management band had also increased from 16 in 2003 to 26 in 2009, although the vacancy rate for this category of employees stood at 18.8 per cent (NCED, 2009:231).

At the end of the 2009/10 financial year, posts in the NCED's establishment had increased slightly. However, there was significant growth in the filling of posts, from 11 187 in 2009, to 12 135 in 2010, an increase of 948 appointments. This brought the vacancy rate down to 15.1 per cent overall. However, the appointment of personnel in the finance-related areas was still at a very low rate, with only a slight increase from 30 to 32. This increase was also mainly in the ranks of finance clerks and credit controllers, while the more senior positions had in fact decreased from seven in 2009 to six in 2010. The vacancy rate within this component of the NCED remained around 76 per cent. In fact, the vacancy rate within the administration component (programme 1), of which finance is a part, remained relatively high at 54.7 per cent (NCED, 2010:193).

By 2014, the bureaucracy of the NCED had increased to 12 446 employees with a vacancy rate of nine per cent. The number of posts stood at 13 637 of which 10 191 were for educators (in programme 2). The number of administrative posts (under programme 1) in the NCED's approved establishment had a very significant

increase, from 1 152 posts in 2012/13 to 1 768 in 2013/14. What is even more significant is that the appointment of staff in this programme had almost doubled, from 696 in the 2012/13 financial year, to 1105 in 2013/14. Another noteworthy feature of the NCED's organogram is that the number of posts at senior management level had steadily increased, from an initial 16 in 2003 to 41 in 2014. Thirty seven (37) of these posts had been filled by 2014 (NCED, 2014:130).

There is general acknowledgement by the department that it is understaffed and lacking in critical skills in key areas related to "core functions especially at district level" (NCED, 2012:36). In terms of a workforce analysis done by the department to determine its human resource needs, there is a huge gap between *post demand* and *post supply*. For so-called administration or public service sector posts, the total *post demand* in 2011/12 stood at 3 793 while the *post supply* was 2 749, giving us a gap of 1 044. For educator posts this gap was 1 321, with a *post demand* of 10 461 and a supply of 9 140. These educator posts also include office-based educators such as circuit managers and learning area managers (NCED, 2012:38-39).

The finance and supply chain management section was one of five structural challenges that the department highlighted in its Human Resource (HR) Plan. It noted that the barrier to service delivery in this area was the "centralisation of financial delegations" (NCED, 2012:44). This, according to the department's own assessment, had led to the under-utilisation of staff in the districts, while head-office personnel experienced an overload of work. The HR Plan proposed that district offices should receive improved financial delegations as well as develop district office staff for finance and SCM functions.

The NCED also emphasised that, while it may have its human resources in place, there remained within these resources a clear lack of "required skills and capacity to serve the department's clients" (NCED, 2012:61). The department concedes that the inherent risks generated by this state of affairs "would result in quality being compromised and the necessary legal and policy prescripts not being adhered to" (NCED, 2012:61). Thus, the HR Plan of the department proposes that its workforce

should have their skills upgraded in order to bring it to the “desired level of competence and (thereby addressing) the current skills gap” (NCED, 2012:61).

The department also lists finance managers as one of its scarce skills occupations, this being defined as the category of occupations in which there is an apparent lack of qualified and experienced people (NCED, 2012:66). In terms of the current supply within the department (internal availability), it is found to be “not enough”, while outside of the department (external availability), these skills are described as “fully available”. The NCED, however, sees the risk of this to service delivery as ‘medium’ only in terms of its own risk assessment (NCED, 2012:66). The department’s HR Plan shows that while 168 people were targeted for training and development in report writing with funds sourced from its Workplace Skills Plan (WSP), no provision in this regard was made for finance management (NCED, 2012:85).

The NCED has been undergoing a major organisational redesign over a number of years. From initially having only one chief directorate, the department’s new organisational structure provides for the provincial head-office to be sub-divided into five chief directorates, namely human resources, district development and support, finance and supply chain management, curriculum assessment, science and technology and lastly, school management, administration and support (NCED, 2012:44). This has led to the department being able to fill posts at the top management echelons of the organisation.

It is therefore evident that the organisational structure of the NCED has allowed for posts at the top end to be created and filled, while there is little evidence of posts at the middle and lower management levels being filled in the same way. This is particularly so in the case of posts connected with financial management functions of the NCED. The department’s latest macro-organisational structure reflects the creation of numerous posts at top levels of the public service senior management band (see Appendix C). For the first time in the province, the post of HOD for Education would be at the level of Superintendent-General whereas it used to be at the level of Deputy Director-General (DDG). The newly approved organogram also makes provision for three posts of DDG and eight of chief director (NCED, 2014:24).

The department indicated that they were in the process of phasing in the implementation of the new organogram subject to financial resources being available (NCED, 2014:360).

5.5 CONCLUSION

In this chapter, an in-depth analysis was conducted of the amounts of funding that schools in the province received from the NCED in the 2014/15 budget. These funding allocations were published in a government gazette in terms of the DORA.

The amounts allocated to the various public, special and independent schools, as well as Grade-R institutions, and from which the analysis was drawn, appeared in the 2014 provincial government gazette issued by the Northern Cape Provincial Treasury. All the allocations in respect of the NSNP were also captured in this gazette. The list of schools was categorised per quintile and school district indicating whether they were no-fee schools or not. It also reflected the exact allocation that each school would receive over the MTEF period, including a breakdown of these amounts for each Section 21 function granted to the school.

The rest of the chapter focussed on the audit reports compiled by the office of the Auditor-General and an assessment of the human resource capacity of the NCED.

This chapter forms the crux of the study as it relates directly to the subject matter. It shows how, through an analysis of the funding allocations to schools by the education department, such schools are affected by the policy decisions of those in authority.

Some main points drawn from the text for further analysis include the following:

- In 2014, there were 550 public schools that received funding from the NCED, with over forty schools allocated funding of over a million rand each, projected to grow to over sixty schools in the 2016/17 financial year. The schools that received the most funding from the department have amongst the highest

learner enrolments. The lowest funding allocation from the NCED was the amount of R24 519, which went mainly to schools with very few learners;

- The result of the No-Fee Policy implementation can be clearly observed where schools with very high learner numbers do not make the million-rand-per-annum schools list because of being in a more favourable quintile. There is only one school from the quintile 4-5 categories that received over a million rand despite a learner figure of 1 501;
- In the 2014/15 financial year, there were 468 schools which received funding for the NSNP amounting to R139 146 930 to provide meals to 254 683 learners. If one considers these allocations in addition to the normal funding from the department, it is clear that some schools receive huge amounts of money from government;
- Grade-R allocations amounted to over R11 million to be utilised for the benefit of 17 997 learners. Schools and other institutions offering Grade R received either a low or high per capita amount depending on the quintile in which they fall, with R804 for quintile one and a mere R134 for quintile five;
- Only five out of a possible 20 independent schools received funding from the NCED in 2014/15. An amount of R7.9 million was allocated, with the school having the highest number of learners at 931 receiving the bulk of the money: R5.3 million. An amount of R10.1 million was distributed to ten special schools in the province;
- The audit reports of the 2002/03 and 2006/07 financial years highlighted key areas lacking in the NCED's financial control systems related to schools. Chief amongst these was the failure by schools to submit audited financial statements to the department, which led to the Auditor-General's finding that the NCED's monitoring of the schools' finances was questionable. The Auditor-General had also discovered non-compliance of schools' financial statements with international accounting standards and the fact that many schools were not audited as required by law;
- In the 2008/09, 2009/10 and 2010/11 audit findings, the NCED moved from a disclaimer of opinion to a qualified opinion. The Auditor-General's reports

emphasised the matter of internal control deficiencies as well as the lack of adequate and skilled staff in the finance unit who were unable to prevent the irregular as well as fruitless and wasteful expenditure of the NCED. There was also insufficient appropriate audit evidence related to the performance information of public schools;

- The NCED received qualified audit opinions for the 2011/12 and 2012/13 financial years. Some of the same issues previously documented found their way into these reports. They include the continued occurrence of irregular, unauthorised as well as fruitless and wasteful expenditure. The Auditor-General's reports also reflected on the lack of sufficient appropriate audit evidence, highlighting the issue of reliability of information related to public schools. The NCED also continued to experience a shortage of skilled staff and failed to take effective and appropriate disciplinary steps against officials who made themselves guilty of non-compliance with legal prescripts. The issue of a lack of monitoring and support of key programmes in the NCED was also mentioned in the reports;
- In the discussion of the human resource factor, the skills shortage in the key areas of finance management in the NCED is also emphasised. This unit of the department, with a 75 per cent vacancy rate, had 122 posts at one stage with only 30 filled. These filled posts were mostly at lower levels where finance managers were needed since they were regarded by the NCED as scarce skills occupations;
- The bureaucracy in the NCED had also grown over time. While in 1998 the department had about 11 000 employees, this had increased to 12 446 by 2014. It is particularly in the administration programme where there had been a significant rise in posts, from 502 in 2002/03 to 1 768 in 2013/14. Senior management level posts had also increased substantially, from an initial 16 in 2003 to 41 in 2014, of which 37 had already been filled;
- The conclusion that could be drawn is that posts at the top end of the bureaucracy were being filled expeditiously, while posts at lower management

levels in critical areas such as finance and SCM are not filled with the same speed.

The next chapter will highlight the key findings of the study and provide some recommendations to address the shortcomings identified in the NCED.

CHAPTER SIX: KEY FINDINGS, RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

In summarising this thesis, the following key points from the different chapters need to be highlighted:

- While there is much interest in education matters in this country, the core issue is whether government programmes designed to benefit deserving learners are being effectively implemented to overcome inefficiencies in the system. The question is whether the funds allocated by the Northern Cape government for education are efficiently, equitably and effectively distributed and utilised;
- The provision of education is costly and should thus be premised on a principle of cost-benefit analysis. A decision rule to apply is that those who are able to pay for education services should do so while those unable should not be denied access. In order to ensure efficiency and cost-effectiveness, mismanagement and abuse of resources should not be tolerated;
- The NCED based its agenda of increasing the number of no-fee schools on the belief that the province has a high unemployment rate as well as high levels of poverty, but statistics show that unemployment was less than 30 per cent and that poverty levels were the second lowest in the country;
- Government, through the NDP, strives towards the elimination of poverty and therefore also advocates for the reduction of the bureaucracy in order to redirect resources to the poor. Bureaucrats should also subscribe to a Weberian doctrine rather than follow the Niskanen model which creates a constant upward pressure on public expenditure;
- The SFN policy was introduced to ensure equity and redress, targeting the poorest learners. However, the issue of free-riders has to be kept in check. A system becomes unsustainable when too many people choose not to pay for services. Thus, the application of a means test in order to determine whether people qualify for government entitlements is an important factor;

- Understanding public finance denotes a perception about scarce resources. Thus, it is important to note Wagner's hypothesis that a country's public spending depends on income growth – spending should not increase where growth is low. The efficiency criterion is therefore an important measure. It states that is impossible to increase any one person's well-being without reducing the well-being of another;
- The SFN policy subscribes to the notion that those who are able to pay fees should do so in order to address the shortfall brought about by decreasing state funding for the more affluent schools. It also provides for fee exemptions. One of its requirements is the appointment of highly skilled and specialised officials in the fields of finance, data analysis, accounting, statistics and planning. The amended SFN introduced no-fee schools as well as comprehensive measures whereby the poorest cohort of learners in the country would receive 30 per cent of the funding while the quintile five group would receive only 5 per cent. Another important requirement was that there should be monitoring and support by departmental officials;
- Government has strict legal prescripts when it comes to the management of public finances. Some of these laws allow the Treasury to intervene in cases of non-compliance, through the withholding of funds, disciplinary action or criminal procedures. The Treasury Regulations also require that institutions receiving transfers and subsidies should be audited and that such audits should be submitted for scrutiny by the transferring department;
- The increase in learner numbers is a key driver of the NCED budget as could be seen particularly with the incorporation of the John Taole Gaetsewe region which brought over 70 000 learners into the province. The NCED budget increased from less than a billion rand in 2000/01 to over R4 billion in 2013/14. In 2009, it was estimated that over 82 per cent of the NCED budget was spent on the Public Ordinary Schools programme where most of the education delivery takes place. A further growth of 9.5 per cent was expected at the time, mainly due to the expansion of no-fee schools;

- In terms of economic classification, the biggest expenditure in the NCED for 2012/13 was on compensation of employees at around R2.6 billion, followed by infrastructure development at R312 000 and transfers and subsidies at R257 million. In 2013/14, personnel costs in the NCED increased to almost R3 billion from a budget of R4.44 billion. This growth can be ascribed to factors such as OSD for educators as well as government's plan to provide additional educators to the poorest schools;
- The NCED's drive to increase the number of no-fee schools has seen an estimated 179 732 learners from a total of 262 958 benefiting from the policy, which means that less than a third would be required to pay school fees. This had a major impact on its budget for transfers and subsidies to schools, which increased from R160 million to an estimated R406 million in 2013/14. Over 96 per cent of public school learners benefit from the NSNP. This is made possible by the additional funding from the NCED's own equitable share provision for learners who do not qualify for the grant;
- In 2014, from a list of 550 public schools receiving transfer payments from the NCED, 40 schools were allocated over a million rand each, depending on the highest learner numbers and their per capita allocations, which were based on the quintile ranking. For the NSNP, 468 schools received funding amounting to R139 146 930 to provide meals to 254 683 learners. Grade-R allocations in the same year amounted to over R11 million to be used for the benefit of 19 997 learners. This in effect means that schools with Grade R receiving payments for the NSNP on top of their usual allocations could receive massive amounts of money from government;
- The audit reports indicate internal control deficiencies in the NCED as well as the lack of adequate and skilled staff, particularly in the finance and SCM units. This, according to the Auditor-General, resulted in the occurrence of irregular, unauthorised as well as fruitless and wasteful expenditure. The NCED also showed serious shortcomings in terms of monitoring and support of government programmes in schools and districts. Schools also failed to submit audited financial statements as was required by legislation without proper

sanctions from the department. The Auditor-General's reports also show that there was insufficient appropriate audit evidence related to the performance information of public schools;

- While the NCED had experienced a huge growth in its bureaucracy, especially at the top end of the hierarchical structure, very little was done in terms of filling the critical and scarce skills posts in the areas of finance and SCM as was required.

This study clearly shows that the NCED receives the highest income compared to all other government institutions in the Northern Cape Province. What is also clear, as indicated earlier, is that funding from national government is not going to continue in the same way as it has for many years due to the limited resources available. This means that the NCED has to ensure that its finances are utilised more efficiently and cost effectively. The research findings focus primarily on three key elements, namely the issue of entitlements, addressing inefficiencies in the system, and addressing the bureaucracy.

6.2 THE ISSUE OF ENTITLEMENTS AND THE FREE-RIDER PROBLEM

While it is a fact that learner numbers in the province are steadily increasing, the question of mitigating this effect from a financial point of view is not adequately addressed by the NCED. The normal response to the increasing enrolments of learners at schools is the expectation that additional funding would be provided. Given the stance of the Minister of Finance that departments have to implement cost-containment measures as stated in section 1.3, it is clear that the NCED would have to reprioritise its budget to cover any shortfalls that may arise as a result of increased learner numbers. The critical question is whether it is sustainable to continue increasing the number of learners who benefit from government's poverty-alleviation programmes such as the No Fee Schools Policy and the National Food Security programme as done by the NCED described in section 2.2.2.

In order to address this dilemma, the NCED would have to consider implementing a proper means test as envisaged by Hillman (2003:351) and explained in section 2.2.3.4. This would serve to restrict rather than expand access to the entitlement of no fees to be paid by those in society who are able to pay school fees. The current system allows for provincial education departments to make a determination of the poverty ranking of schools based on factors such as location and physical condition as well as the relative poverty of the community. It was noted in section 3.3 that this should be done by experts employed by education departments.

The problem, firstly, is that the NCED does not have adequate expertise to make scientific and accurate determinations in this regard and, secondly, the process is flawed in the following way. For example, when a school is deemed to be poor, to the level of, say quintile one status, there is no evidence that the entire community is actually poor and thus unable to pay school fees. The system does not allow no-fee schools to charge parents any compulsory fees as was explained in section 3.4. This makes it harder for these schools to raise funds from parents at such schools who are in a less poor situation and thus able to contribute, but are not necessarily willing to do so. It therefore creates a free rider problem by default. In other words, even if there were a certain percentage of parents who were not entitled to the benefits of no-fee schools, the fact that their children are learners at such schools forces them to become free riders as described by Ulbrich (2003:69) in section 2.2.3.3.

There is a clear contradiction that exists in as far as the poverty considerations in the province and the number of schools benefiting from the No Fee Policy is concerned. The percentage of people from the Northern Cape living in poverty, as previously indicated in section 4.5 stands at around 38.9 per cent, while 76 per cent of schools in the province are no-fee schools. It stands to reason that if less than 40 per cent of people in the province are deemed to be poor, those that benefit from poverty alleviation schemes can hardly be argued to be almost twice as much at 76 per cent. In other words, it cannot be that less than a third of learners' parents pay

school fees, as previously explained in section 4.4, when there are only over a third of people who are deemed to be poor in the province.

Even if one looks at the unemployment figures as an indicator of poverty referred to earlier in section 2.2.2, it is clear that less than 30 per cent of the provincial labour force was unemployed at any given period within the last ten years. This again shows that the NCED's 76 per cent target of no-fee schools is more than twice the unemployment figure for the province. Likewise, the income distribution indicators reveal a similar pattern. As indicated by statistics, fewer people in the Northern Cape earned an income of less than R12 000 per annum and significant numbers of income earners were above R360 000 per annum, three times more than in 2002.

Thus, the basis for the NCED's expansion of the no-fee schools on the premise of increased poverty levels in the province seems flawed at best and irresponsible at worst. This is especially concerning if one considers how much the average household in the Northern Cape spends on education in comparison to other less essential commodities, such as alcohol beverages and tobacco.

6.3 ADDRESSING INEFFICIENCIES IN THE SYSTEM

It is also clear from the study that the NCED has not done much to address inefficiencies within the system.

For one, the department should have demonstrated an understanding of Wagner's Law, which is based on the premise that increased public spending is subject to higher income levels as was explained earlier in section 2.3.2. The fact that the country is experiencing low economic growth levels, as described in section 1.3, would obviously impact on revenue generation and ultimately public spending. This warrants the call by the Minister of Finance for a change of course that would emphasise planning and efficient use of resources. The question is whether the NCED is doing enough to ensure, as proposed by Herber (1983:87), that there is improvement in the efficiency with which budgeting decisions are made. As

explained in section 2.3.3, this should be done through a process of cost-benefit analysis, for example. The earlier finding suggests that this may not be the case.

The issue raised earlier about the lack of a proper means test to limit the number of beneficiaries of government's poverty alleviation programmes to only those who genuinely qualify is evidence of such inefficiencies. Section 2.4 also reminds us of the argument of Hillman (2003:9) that the system will experience inefficiencies as a result of spending benefitting a number of people at the same time. Efficiency can therefore be improved by reducing and controlling the list of beneficiaries in the programme to a manageable and affordable size. It will only happen if and when the NCED realises that the system has reached what Hyman (2008:84) refers to as Pareto efficiency. The NCED is now at such a point that it cannot make any more people better off without making others worse off.

The department, as earlier indicated, makes huge sums of money available to schools through transfer payments. The problem, by its own admission as acknowledged in section 5.4, is that it lacks sufficient capacity to monitor the efficient use of these resources allocated to schools. This lack of capacity is also emphasised consistently in the Auditor-General's findings over a number of years. In one such report discussed in section 5.3, the issues of lack of skills, competency and motivation are highlighted. The report goes on to raise the matter of the high vacancy rate within the department, specifically in terms of the finance unit with its inadequate number of staff. The department's HR Plan corroborates this fact, listing finance managers as one of its scarce skills occupations.

Another matter of significance in the AG's findings is the NCED's lack of proper internal control systems. This issue was the main contributing factor in the NCED receiving a disclaimer audit opinion for several years. The AG's reports continuously emphasised this lack of internal financial control systems, especially to the extent that no effective measures were taken to ensure that irregular, unauthorised, as well as fruitless and wasteful expenditure, was prevented in the manner provided for by legislation. A further indictment on the NCED in this regard, was the fact that it failed to institute effective and appropriate disciplinary steps against those

responsible for the financial mismanagement. This is in direct contravention of the PFMA as well as Treasury Regulations as was explained in section 3.5 and section 3.6. All this was in spite of the fact that the South African Police Services were conducting investigations related to alleged fraud within the departmental supply chain management (SCM).

According to the AG's report, the fact that the NCED experienced a dire shortage of skilled staff made it difficult to hold officials accountable for non-compliance as well as the department's underlying systems and controls. In one of the AG's findings, the department's lack of a risk assessment and fraud prevention plan was also strongly highlighted.

As previously explained in section 3.6, the transfer of funds to schools also places a huge responsibility on the department to ensure that an effective oversight role is exercised over institutions to which such funds are transferred. However, it is clear from the AG's audit reports that the department is lacking in this regard. In one of the reports, a concern related to the reliability of information on public schools was emphasised. In this regard, it was noted that important targets were materially misstated by 42 per cent. In other words, the department's reports on the performance and achievements of schools were overstated without the support of proper and reliable evidence. This state of affairs was attributed to a lack of monitoring by the NCED. In fact, the AG's report, as can be seen in section 5.3, focuses on this lack of monitoring, especially in so far as the implementation of the department's HIV and AIDS Programme grant as well as the Food Security Programme grant is concerned. The report states that the department failed to monitor these programmes and also did not ensure that districts as well as schools were provided with proper support to implement these programmes. In particular, the AG found that schools receiving the NSNP grant had failed to provide all the learners with a nutritious meal on the relevant school days as required by the regulations. In other words, schools were contravening the provisions of the relevant legislation and the department did very little to address this. It is obviously

a very serious matter when one considers the amount of money that schools receive from the department and the apparent lack of accountability that exists.

One other concerning finding by the AG is the fact that there were many schools that failed to compile their annual financial statements in line with recognised accounting standards, as well as schools whose annual financial statements were either not audited or submitted for scrutiny by the department as required.

6.4 ADDRESSING THE BUREAUCRACY

One of the fundamental goals of the NDP in as far as education provision in the country is concerned is the reduction of, what it calls, the bureaucratic layers in the education management system. The idea put forward by this plan as discussed in section 2.2.3.1, is to redirect resources away from a bloated government bureaucracy to improvements in support of schools.

As stated earlier in section 4.4, education is a personnel intensive sector, which explains why the department's largest expense is on compensation of employees. As mentioned, expenditure in the biggest education programme, namely programme 2, increased to R2 657 billion for the 2012/13 financial year with expected growth to R3 307 in the 2016/17 year. One of the key causes for this growth in expenditure is premised on a plan by the education authorities to increase the number of educators to schools in quintile one, which would ensure reduced class sizes in the poorest schools. For many this could be viewed as a noble gesture since it provides relief to poor disadvantaged learners. However, the earlier argument about the means test resurfaces, which suggests that this policy might be misdirected. Overall, it places a tremendous burden on the education budget, which has clearly become unsustainable. At the end of the day, what is needed is a system that properly addresses the inequalities of the past but in a fair, equitable and just manner, without unnecessarily consuming the budget and leaving little else for other key government priorities.

The issue of a bloated bureaucracy is discussed at length in section 2.2.3.2 as well as 5.4. This is an area that, if left unattended, could exhaust a budget spent primarily on huge salaries and leave little for other priorities. In the case of the NCED, the study shows the steady and significant increase of posts established at top management level, from only one post of chief director to eight, in addition to the creation of three DDG posts (from an initial one) as well as a new post at Director-General or Superintendent-General level.

There has also been an increase in the overall number of posts at senior management level (13-16) from an initial 16 in 2003 to 41 in 2014. As can be observed in section 5.4, the department was quick to ensure that these senior posts were filled while the critical skills posts that were needed in the finance section did not receive the same level of attention. At one stage the department experienced a 75 per cent vacancy rate in its financial management component with only 30 posts filled from a possible 122 in its organogram.

The picture that emerges is one of priority being given to the filling of senior management posts at the expense of lower level managerial posts, which could include the financial management posts highlighted in the AG's report as being in short supply. Section 3.3 also reminds one of the very important requirements of the implementation of the SFN to fill certain posts. The expectation was that provincial education departments would appoint highly skilled and specialised practitioners, such as finance and data analysts, accounting experts, senior statisticians and education planners. Given the adverse audit outcomes of the NCED, this has clearly not been achieved.

It may appear in this scenario, as described in section 2.2.3.2, that the department has adopted a Niskanen model of bureaucracy as depicted by Ulbrich (2003:330). This is where constant upward pressure is exerted on public spending and is driven by those bureaucrats with a desire to increase their own well-being at the expense of the public's expectation of an improved public service.

The approach followed by the NCED with regard to increasing posts at the top management level is contrary to the goals of the NDP, which seek to reduce rather than increase the bureaucratic layers in the education system. If government is serious about seeing the fulfilment of this plan by 2030 (according to its vision), such tendencies displayed by provincial education authorities need to be monitored and addressed appropriately.

6.5 CONCLUSION

The Education Department of the Northern Cape is a typical government entity with a clear vision and purpose to deliver a public service to citizens of this province in a systemic environment and with funding allocated to it through taxes raised by the very citizens it seeks to serve. While it rightly highlights achievements in delivering this public good, it certainly needs to identify the flaws in the methodology of its delivery model.

For one, government has competing priorities vying for limited and scarce resources. There is a definite need by those in authority to ensure that these scarce resources are used efficiently. Whether this is the case with the NCED might need further exploration. There is a clear sense, however, that the funds allocated to this department could be better managed. There are laws that regulate this management of public finances with clearly stipulated consequences for those individuals and institutions in violation of such laws. If no action is taken to ensure compliance with these laws, as seems to be the case in the NCED, it is a breach of trust that voters have placed in public representatives and institutions.

The NCED receives the largest portion of government funding and makes subsequent huge transfers to schools for which it is responsible but clearly fails to effectively monitor the expenditure of such funds in a way that can ensure accountability at all levels of the system.

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APPENDIX A



Analysis
MOTLHABANE SKADE

GROWING up under apartheid South Africa as a pupil was very tough for some of us but there were fundamental lessons that we learnt by observation.

Education was one of the areas that brought the best out of many parents, teachers and children. Through their close-knit collaboration they managed to achieve the unimaginable. The government of the day on the other side was not entirely supportive of the education of the black child and this was made evident by disparities in its discriminatory education funding system for the black child versus that of other races.

White children then enjoyed the best of everything as far as their education was concerned, they even used buses funded by the government to travel to school, while their black counterparts walked long distances enduring harsh elements, most of them barefoot at times and on empty stomachs sometimes. To the born frees this sounds like a myth but it is the reality of where we come from as a nation.

The playing field was not level, but determination and the will to succeed propelled black children to make the best of their dire circumstances. Many black parents back then were not highly educated but they had an abundance of wisdom and they could sustain themselves and their families.

Fast forward to 20 years of democracy and there is a visible change. There is a ray of hope. One, there is the political will and, two there is the budget for the entire Department of Basic Education that caters for all and not only for a small sector of the community.

Lastly, there are many options for children and parents which they can use to hold the government accountable. Hunger at school is now an option and not a fact like in the past. The government feeds the children at different public schools. The question is why is the black child struggling now that there is commitment from the government?

The answer is not very far, the team of three, parents, teachers and children, that used to work closely together during the difficult times is now fragmented. Extramural

KEY POINTS

- » Growing up under apartheid South Africa as a pupil was very tough for some of us but there were fundamental lessons that we learnt by observation
- » Education was one of the areas that brought out the best out of many parents, teachers and children, through their close-knit collaboration they managed to achieve the unimaginable
- » It is about time that parents, teachers and children get their priorities right by working together once more
- » There is no commitment, determination and the will to succeed
- » The Department of Education has specialists who are waiting and ready for parents who need professional advice regarding the education of their children

activities that children participate in at school which form part of their development no longer receive much support from the parents. Sports and cultural activities among others are crucial for the development of other qualities of a child like leadership, communication and so on and so forth.

The parents, teachers and pupils are pulling in different directions. It is an everyone for himself kind of attitude. There is no commitment, determination and the will to succeed.

Most teachers' focus is no longer on teaching and quite a substantial number of children's attention is also no longer on learning. On the other hand, parents have left everything to chance with the hope that the outcome might be favourable. Most parents in this day and age are educated and they have the means but they lack wisdom.

What is happening in John Taolo Gaetsewe district in Northern Cape is a sad story for our country. It is something that needs to be condemned by all sane people. Our people should learn to handle disputes better as the most affected casualties of service delivery strikes that took place in that area are the children more than the parents who instigated the strikes by forcing about 16 000 pupils out of school and using them as bargaining tools. In the process children lost valuable learning time.

APPENDIX B

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DIAMOND FIELDS ADVERTISER THURSDAY JUNE 5, 2014

NEWS

'Education not in crisis'

MICHAEL MOKOBA
STAFF REPORTER

THE NORTHERN Cape Department of Education went on a charm offensive yesterday to assure the public that the Province's education system was not in a crisis.

The department's briefing on the state of education in the Province came at a time when some schools have been turned into a battleground by residents and teachers due to service delivery challenges, as well as the bruising report from the World Economic Forum (WEF), which ranked the quality of the country's maths and science education last among 148 countries in the world.

"We are not in disarray as a department. At no stage has this department bordered on a crisis in terms of the work we do. We have continued to offer quality public education to our learners in the Province," said the head of department (HOD), Tshepo Pharasi, yesterday.

"At no point since 2009 has the department been in a financial situation where it could not carry out its functions. We are proud to say that since 2009, not a single learner in our schools has not been able to benefit from our programmes. There is no crisis in the department."

He conceded that the suspension

or dismissal of principals at some schools had resulted in schools being turned into warzones with learners being used by certain teachers and community members who wanted to push a particular agenda, and he (Pharasi) warned that this trend would no longer be tolerated.

"Principals, by virtue of their appointment, have a key role to play in being responsible for the finances of their school. The principal of Thwabalang High School in Jan Kempdorp was fired after a forensic report revealed that he had used the school's funds, which are allocated by the department, to run his own loan scam at the school. He lent money to certain teachers and they did not pay it back."

"He was also implicated in fraudulent travel allowance claims where he travelled the 20 kilometres between the school and his place of residence and he then submitted a claim for 2 000 kilometres," Pharasi said.

He said that some of the teachers who used to benefit from these loans then used children at the school to fight the department on its decision to fire the principal.

Although reports yesterday emerged that the school was still dysfunctional, Pharasi rejected these reports and said that the situation at the school had since normalised.



Tshepo Pharasi

"The situation of Vryloethu High School in Galeshewe, where teachers allegedly used learners to fight for positions at the school, is also receiving attention and the department will soon take action against all those implicated."

"But the principal who was originally appointed to head the school should continue with her work unless she decides otherwise," Pharasi said.

He said that the situation of Vryloethu was that of teachers undermining both the School Government Body (SCB) and the department's rights and functions of appointing a principal.

The school made media headlines recently when teachers refused to accept a principal who was appointed by the department on the basis that she did not come from within the school and was also not a top candidate on the list of three names that were forwarded to the department by the SCB.

Pharasi pointed out that most of the challenges facing schools in the Province had nothing to do with the department.

"For instance, the closure of schools in the John Tsolo Gaetsewe District in 2012 had nothing to do with us but we continued to work hard to ensure that we attained a 74,6 percent matric pass rate. In 2009 the department only accounted for 9 000 learners but at this point we have 18 000 learners in our schools. All these achievements were not as a result of an accident, but good planning and execution of our work," Pharasi said.

He urged residents to avoid using schools to fight their community battles.

"Turning to the WEF report, Pharasi said that the department was aware of internal problems in the education system but added that these would in time be resolved.

"We have been bold enough as a sector and country to review our curriculum and this was also an admission that there were problems in our education system."

"After the fall of the Berlin Wall, the united Germany had a 20-year programme to equalise the competency of the educators. The post apartheid education system will have weaknesses. We ask South Africans to bear with us as we make our dream of a prosperous economy based on good quality education," Pharasi added.

He also used yesterday's briefing to assure teachers who were working in rural schools in the Province that they would receive their allowances as soon as possible.

"The rural incentive scheme is not a salary but an allowance paid to teachers who meet the criteria. For 2014, the incentives were audited and are currently being paid to all teachers who qualify in terms of criteria. It is important to note that all educators who meet the requirement will be required to enter into a memorandum of understanding with the department," Pharasi said.

He added that for teachers to qualify for the rural allowance, they had to be teaching at rural schools and be occupying a Level 1 post.

"The educator must be permanent and he or she must travel a distance of 25 kilometres on gravel road," he said.

Pharasi said that all temporary teachers and additional teachers were paid on time.

APPENDIX C

